SC 159.1-1-W

ARKANSAS
P·S·C
Public Service Commission

1988
Annual Report

1988 ANNUAL REPORT

TABLE OF CONTENTS

Section 1. Transmittal Letter 1

Section 2. Message from the Commissioners 2

Section 3. History of the PSC 3

Section 4. Agency Organization 6

Section 5. Types of Proceedings 15

Section 6. Summary Schedule of Orders Issued in 1988 16

Section 7. List of Jurisdictional Utilities 17

Section 8. Gas Industry Summary 20

- A. Highlights of 1988 20
- B. Gas Customers and Sales Revenues by Class 21
- C. Gas Transportation Savings and Filings 22
- D. Statistical Summaries for Gas Utilities 23
- E. Gas Docket Activity Summary - Cases Before the Commission 25
- F. Gas Docket Activity Summary - Cases on Appeal 29

Section 9. Electric Industry Summary 33

- A. Highlights of 1988 33
- B. Electric Customers and Sales Revenues by Class 34
- C. Retail Electric Revenues by Class 35
- D. Statistical Summaries for Electric Utilities 36
- E. Electric Docket Activity Summary - Cases Before the Commission 43

Section 10. Telecommunications Industry Summary 55

A. Highlights of 1988 55

B. Access Lines by Class 56

C. Telephone Revenues by Category 57

D. Statistical Summaries for Telecommunications Utilities 58

E. Telecommunications Docket Activity Summary - Cases Before the Commission 63

F. Telecommunications Docket Activity Summary - Cases on Appeal 75

Section 11. Water Industry Summary 78

A. Highlights of 1988 78

B. Water Customers and Sales Revenues by Class 79

C. Statistical Summaries for Water Utilities 80

D. Water Docket Activity Summary - Cases Before the Commission 81

E. Water Docket Activity Summary - Cases on Appeal 82

Section 12. Summary of Generic Docket Activity Before the Commission 83

Section 13. Summary of Activity Before Federal Regulatory Agencies 86

A. Federal Energy Regulatory Commission Dockets 86

B. Federal Communications Commission Dockets 91

Section 14. Summary of Dockets on Appeal from Federal Regulatory Agencies 94

A. Federal Energy Regulatory Commission

B. Federal Communications Commission

Section 15. Commission Review of Utility Operations 87

A. Informal Customer Inquiries and Complaints 87

B. Management Audit Review for PSC Rules Compliance 116

C. Compliance Audits 116

D. Telecommunications Service Inspections and Investigations 116

E. Gas Pipeline Safety Inspections and Investigations 116

Section 16. Other Major Commission Activities 118

Section 17. National Regulatory Organization Participation 122

A. NARUC 122

B. NRRI 123

Section 18. PSC Receipts and Disbursements 124

Section 19. Biographical Information 127

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Commissioner Patricia Qualls
Commissioner Julius Kearney

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January 31, 1989

Honorable Bill Clinton
Governor of the State of Arkansas
State Capitol
Little Rock, Arkansas 72201

Dear Governor Clinton:

In compliance with Arkansas Code Annotated of 1987 §23-2-315, the Utilities Division of the Public Service Commission submits to you the Fifty-Fourth Annual Report. This Report covers the year ending December 31, 1988.

Respectfully,

Robert Johnston
Robert E. Johnston, Chairman

Patricia S. Qualls
Patricia S. Qualls, Commissioner

Julius D. Kearney, Commissioner

SECTION 2. MESSAGE FROM THE COMMISSIONERS

Over the past several years state regulation of public utility companies has been made more difficult by various decisions of federal regulatory commissions and federal courts which, in our opinion, improperly intrude upon the historical regulatory authority of the states. However, the Arkansas Public Service Commission has continued its best efforts to insure that public utility services in Arkansas are rendered in the most efficient and economic manner possible. In response to the unparalled intrusion of the federal government into those aspects of utility regulation traditionally reserved to the states we have increased, with some success, our participation in those federal proceedings which impact utility regulation. We have attempted to stem the tide of federal interference with our duty to regulate public utilities operating in Arkansas and we will continue these efforts whenever appropriate.

Highlights of the Commission's activities during 1988 are included in the body of this annual report. Upon review of this report, we hope you will agree with us that 1988 has been a productive and successful year, nothwithstanding those unfortunate setbacks experienced in the federal arena. During 1988, numerous utility rate reductions were implemented and the delivery of utility service was improved in response to the efforts of the Commission's General Staff.

The Commission will continue its best efforts to protect the public's interest in affordable and adequate utility services, the vitality of the state's utility industry and to foster the economic development of Arkansas.

SECTION 3. HISTORY OF THE PSC

The Arkansas Public Service Commission (PSC or Commission) regulates 87 public utilities which provide electric, gas, telephone, and water services to Arkansas consumers. These utilities generate annual jurisdictional revenues exceeding $3 billion.

The PSC was created by the General Assembly which delegated to the Commission the power to regulate the service and rates of those utilities subject to its jurisdiction. The Commission's primary duties are to allow each utility to charge rates which will allow it to earn a fair return on its investment and to likewise ensure that the public does not pay more than necessary to provide a fair return to the utility. The current delegation of legislative authority to the PSC is the product of legislative evolution.

In 1899, acting pursuant to an amendment to Ark. Const. Art. 17, §10, the legislature created the Arkansas Railroad Commission. Though relating only to railroads and express companies, the act creating the Railroad Commission charged it with the duty to ensure that rates were just and reasonable. Since then, this has been the cornerstone duty of the PSC. Likewise, the duty to file an annual report originated with the 1899 act, as did the Commission's obligation to hear complaints from the public about rates.

In 1919, the Arkansas Corporation Commission was created as the successor to the Railroad Commission. Its regulatory powers were extended to services and facilities and its jurisdiction was enlarged to include regulation of telegraph and telephone companies; pipeline companies for the transportation of oil, gas and water; gas companies; electric lighting companies; hydro-electric companies for the generation and transmission of light, heat or power; and water companies, furnishing water. This enlarged jurisdiction was in addition to the transfer of the Corporation Commission's jurisdiction over railroads and express companies. Additionally, the Corporation Commission was given authority over new construction and additions to plant by the requirement that "certificates of convenience and necessity" be obtained for such construction.

In 1921, the Corporation Commission was abolished and the Railroad Commission was recreated. In doing so, the Corporation Commission's original jurisdiction over utilities operating within the limits of any municipality was removed and that regulatory jurisdiction was placed with the municipalities.

In 1933, the Arkansas Corporation Commission was reestablished and vested with the powers of several other commissions, including the Railroad Commission, which were abolished.

A comprehensive 1935 act created the Department of Public Utilities within the Arkansas Corporation Commission and transferred the Corporation Commission's powers over utilities to the Department. Since the adoption of this act, regulated utilities have paid an annual fee based on gross earnings to finance the PSC's operations. The 1935 act also gave the Department and municipalities concurrent and original jurisdiction over public utilities operating within the limits of a municipality and authorized municipalities to extend service into contiguous rural territory and to set rates for such service subject to the Department's approval.

In 1937, electric cooperatives were exempted from Department jurisdiction in all respects except that such cooperatives were required to obtain a certificate of convenience and necessity from the Department before constructing or operating any equipment or facilities for supplying electric service in rural areas.

In 1945, the Arkansas Corporation Commission was renamed the Arkansas Public Service Commission and vested with the authority and powers of the Corporation Commission and the Department of Public Utilities, which was abolished.

In 1951, telephone cooperatives were made subject to PSC regulation to the same extent as telephone companies and allocated territories for telephone companies were established by reference to then existing service areas. Similarly, in 1957, the legislature provided explicit protection for territories allocated to electric cooperatives pursuant to a certificate of convenience and necessity.

Also in 1957, the powers and duties of the Arkansas Public Service Commission, with respect to transportation by air, rail, water, carrier pipe lines, and motor carriers, were transferred to the Arkansas Commerce Commission, wich was renamed the Arkansas Transportation Commission in 1971. Since this separation, the PSC's activities have primarily been limited to regulating jurisdictional utilities and that jurisdiction has been subsequently altered at various times by the legislature.

In 1967, the legislature made electric cooperatives subject to PSC regulation in the same manner as public utilities and provided for PSC allocation of territories for electric public utilities, just as it had earlier provided allocated territories for electric cooperatives. Twenty years later, in 1987, the legislature reduced PSC jurisdiction over rural electric distribution cooperatives by providing that such cooperatives are not subject to PSC rate case procedures except under certain circumstances.

In the 1971 reorganization of state government, the Arkansas Public Service Commission was transferred to the Department of Commerce and located in the Division of Utilities and Transportation. The PSC retained its powers, authorities, duties and functions, however its budgeting, purchasing and related management functions were placed under the supervision of the Director of the Department of Commerce.

In 1977, the General Assembly restored exclusive rate making jurisdiction to the PSC except for utilities owned or operated by municipalities. A 1985 enactment extended that exception by specifically exempting from PSC regulation the municipal rates and rules for rural electric service. This same act also effectively exempted any municipal service or commodity from any PSC regulation, with the exception of the Commission's authority under a 1971 act to regulate and inspect the natural gas pipeline facilities of municipal gas utilities.

In 1983, the Department of Commerce was abolished and the Arkansas Public Service Commission was restored to its status as an independent state agency and was authorized to function as it had prior to its 1971 transfer to the Department of Commerce.

In 1987, small water and sewer utilities were removed from PSC jurisdiction. The next year, the legislature created an exception to that exclusion by providing that some water companies could voluntarily submit to PSC jurisdiction if certain conditions were satisfied.

SECTION 4. AGENCY ORGANIZATION

The Arkansas Public Service Commission consists of three Commissioners appointed by the Governor for overlapping six-year terms. There are 172 staff positions divided into three Divisions: the Utilities Division, the Assessment Coordination Division, and the Tax Division. This report will be limited to a discussion of Utilities Division activities. The Tax and Assessment Coordination Divisions submit separate Annual Reports.

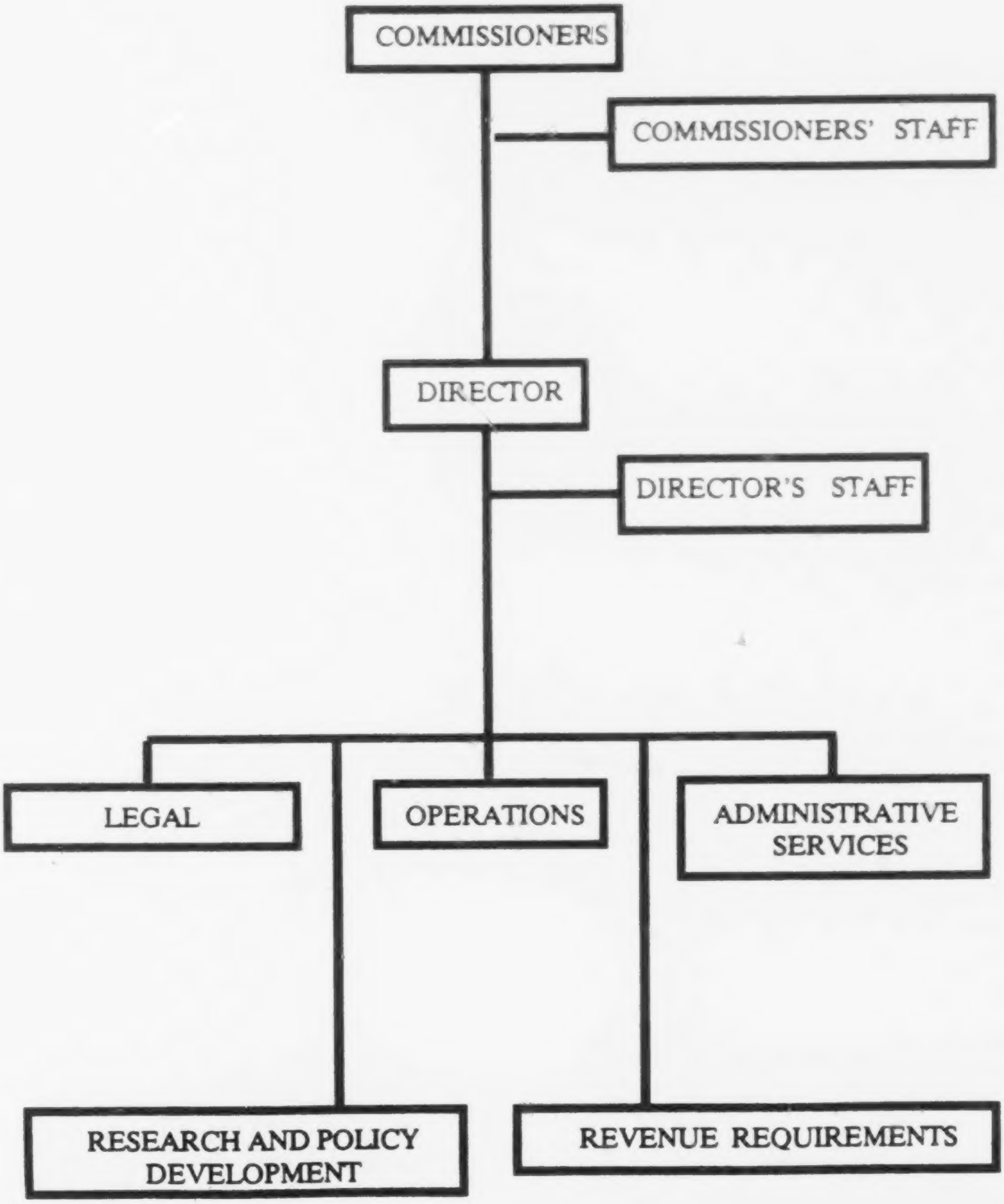
The Commissioners have oversight responsibility for all three Divisions, but spend a majority of their time dealing with utility issues. The Utilities Division has 114 authorized regular staff positions (Commissioners and their Immediate Staff included) divided into the following organizational components:

Organizational Component	Number of Positions
Commissioners and Immediate Staff	14
PSC Director	4
Administrative Services	16
Legal	12
Research and Policy	11
Revenue Requirements	28
Operations	29
TOTAL	114

The following organizational chart depicts the reporting lines for each group.

ARKANSAS PUBLIC SERVICE COMMISSION

UTILITIES DIVISION


COMMISSIONERS
COMMISSIONERS' STAFF
DIRECTOR
DIRECTOR'S STAFF
LEGAL
OPERATIONS
ADMINISTRATIVE SERVICES
RESEARCH AND POLICY DEVELOPMENT
REVENUE REQUIREMENTS

Commissioners

The Commissioners function as a quasi-legislative, quasi-judicial body. In that capacity, they render decisions and develop orders for implementing those decisions. The decisions cover such issues as rates, tariffs, territories, construction sitings, bond issues, assessment protests in opposition to Tax Division determinations, and equalization of property tax assessments by local Equalization Boards.

Office of the Director

The PSC Director is responsible for the overall management of the Utilities Division. Staff members in this Division perform a wide variety of responsibilities which are accomplished by five Sections as described below.

Research and Policy

The Research and Policy Section is responsible for providing technical and research assistance to the PSC Director and Commissioners in the form of expert testimony or special project analyses. These responsibilities are performed by the following units:

The **Financial Analysis Staff** examines utility requests for a specific allowed rate of return in the context of a rate case. In particular, investigation is made of the appropriate cost of equity, cost of debt, and capital structure. This unit is also responsible for examining utility financing applications such as sale-leaseback arrangements and issuances of first mortgage bonds.

The **Telecommunications Policy Staff** is responsible for monitoring significant regulatory and legislative events in the telecommunications field that occur at the national, regional, and state levels. In particular, this unit files testimony and/or comments at the Federal Communications Commission on major policy issues that could have a significant impact on Arkansas ratepayers. This unit also files testimony in cases before the Arkansas Public Service Commission where generic telecommunication policy issues are being formulated.

The **Natural Gas Policy Staff** is responsible for monitoring significant regulatory and legislative events in the natural gas industry that occur at the national, regional, and state levels. In particular, this unit files testimony and/or comments at the Federal Energy Regulatory Commission on major policy issues that could have a significant impact on Arkansas ratepayers. This unit also files testimony in cases before the Arkansas Public Service Commission where generic natural gas policy issues are being formulated.

The **Electric Policy Staff** is responsible for monitoring significant regulatory and legislative events in the electric utility industry that occur at the national, regional, and state levels. In particular, this unit files testimony and/or comments at the Federal Energy Regulatory Commission on major policy issues that could have a significant impact on Arkansas ratepayers. This unit also files testimony in cases before the Arkansas Public Service Commission where generic electric utility policy issues are being formulated.

Operations

The **Operations Section** evaluates utility companies' operational performance and ensures that utilities are in compliance with Commission orders and Commission standards, specifically the Special Rules - Telecommunications, Special Rules - Electricity, Special Rules - Gas, Special Rules - Water, Arkansas Gas Pipeline Code, and General Service Rules. The objectives of this Section are to ensure management effectiveness, operational efficiency, and the provision of quality service. The Section is comprised of six functional units which are assigned the responsibilities described below.

The **Capital Recovery Staff** reviews and evaluates appropriate capital recovery rates for utilities operating in Arkansas and presents its recommendations to the Commission in the form of testimony in rate cases and depreciation related proceedings. This group continuously reviews appropriate ranges of service lives; depreciation applications; and policies and procedures for fixed assets acquisition, maintenance, and disposal. This involves extensive statistical analyses of company property records and retirement cycles, and thorough research of depreciation schedules, actuarial data and State and Federal regulatory precedents.

The **Compliance Staff** audits utility costs recovered through adjustment clauses to ensure that recovery is in compliance with approved company tariffs. The investigations include the following:

- municipal franchise tax adjustments for all utilities;
- the cost of fuel adjustment for the four privately-owned electric utilities and one generation and transmission electric cooperative;
- the cost of purchased power adjustment for seventeen distribution electric cooperatives and the cost of debt adjustment for the majority of these;
- the cost of gas adjustment for six gas distribution companies; and
- the cost of pumping adjustment for two water companies.

The **Telecommunications Quality of Service Staff** ensures that ratepayers receive safe, adequate, and continuous service as required by the Commission's General Service Rules and the Special Rules - Telecommunications. This is accomplished through inspections and evaluations of utility facilities and operating procedures. Consumer complaints are investigated and periodic inspections of the 31 telephone companies and their 400 exchanges are performed to ensure that service provided to customers is in compliance with Commission service standards. Staff members also participate in rate cases, territory allocation proceedings, and other cases before the Commission involving quality of service issues.

The **Gas Pipeline Safety Staff** ensures operator compliance with the Arkansas Gas Pipeline Code and the Special Rules - Gas. Periodic inspections of safety, corrosion, and leakage control are performed on 20 intra-state natural gas operators and 432 master-metered gas systems operating in the state. This group investigates natural gas related accidents and reviews and evaluates applications for Certificates of Convenience and Necessity. These staff members also participate in the development of the Arkansas Gas Pipeline Code Standards and work closely with the Federal Department of Transportation to ensure that Arkansas requirements comprehend federal regulations.

The **Management Audits Staff** was established to evaluate the operations and management systems of utility companies. Following each audit, members report strengths and weaknesses along with recommendations for improvement and provide assistance to utility management in determining how and when to implement the recommendations. This program is a proactive approach to regulation designed to benefit not only the ratepayers but also the utilities by promoting and encouraging both utility management effectiveness and operational efficiency in order to reduce operating costs.

The focus of management audits is on functions which offer the greatest opportunity for improvement. Those functions include construction and maintenance; customer services; contracts; purchasing and materials management; fleet management; PSC rules and regulations compliance; and operations management. During 1988, the Management Audits Staff focused primarily on affiliate transactions, customer services, and development of a statistical data base of key financial and operational performance indicators for utility industries.

The **Consumer Services Staff** is responsible for handling customer questions and complaints regarding regulated utilities. Those questions and complaints are brought to Consumer Services in person, by telephone, and by letter, and concern utility rates and service.

Consumer Services Staff members review all complaints for compliance with PSC rules and approved utility tariffs and act as liaisons with the utilities in resolving those complaints. In some instances, a Staff investigation may be required.

Consumer Services personnel are responsive to requests for information by providing educational material and group presentations. Brochures available through Consumer Services explain customer rights and responsibilities, complaint procedures, public hearings, and rate cases.

Revenue Requirements

The Revenue Requirements Section is responsible for processing all rate applications, tariff filings, and other significant filings before the Commission. This Section is comprised of four functional groups - Natural Gas and Water, Electric, Telecommunications, and Fiscal Audits - and assigned the responsibilities described below.

The **Natural Gas and Water Staff** is composed of an audit supervisor, an auditor, an engineer, and a rate analyst, all under the direction of the Natural Gas and Water Manager. In contrast to the quality of service or consumer information issues addressed by other sections within the Commission, the Natural Gas and Water Staff primarily focuses on financial and rate matters concerning natural gas and water utilities. This Staff must intimately understand and evaluate the complex rate structures and earnings requirements of the seven natural gas and three water utilities under the Commission's jurisdiction. With regard to the natural gas utilities, those responsibilities have recently been dramatically complicated and increased due to federal regulation and competition.

In response to the competition prevalent in the natural gas industry, the Natural Gas and Water Staff analyzed and filed testimony recommending specified actions on 72 transportation filings in 1988. Each filing required an evaluation of the economic feasibility of utilizing alternative fuels for industrial and commercial customers.

Finally, the Natural Gas and Water Section is responsible for the Special Rules governing both industries. Major revisions to those rules are in progress.

The **Electric Industry Staff**. Similar to the responsibilities of the Natural Gas and Water Staff, the Electric Industry Staff devotes much of its time to the evaluation of rate, accounting, finance, and engineering matters in the electric industry. Accordingly, a rate analyst, audit supervisor, auditor, engineer, and Manager comprise the Electric Section.

The Electric Staff analyzed and filed testimony on 27 tariff filings in 1988. Those filings involved all four investor-owned electric utilities and all nineteen electric cooperatives. Some of the 27 dockets involved all electric cooperatives and required the preparation of individual testimony addressing each cooperative. The Electric Staff also processed five applications for Certificates of Convenience and Necessity. Additionally, the Electric Staff is responsible for the Special Rules for Electric Utilities and the Cogeneration Rules, to which substantial revisions are in progress.

Finally, with cogeneration emerging as a competitive alternative in the electric industry, the Electric Staff has been responsive to proposed remedies designed to keep large industrial customers from leaving the systems serving them at the present time. Such tasks have included addressing several dockets involving economic development activities of electric utilities, including special rate contracts.

The **Telecommunications Industry Staff** processed numerous filings during 1988. Additionally, the Telecommunications Staff continuously interacts with twenty-eight Local Exchange Carriers, fifteen Interexchange Carriers, and seven Cellular Mobile companies under the Commission's jurisdiction. This interaction is necessary to be responsive to a rapidly changing environment which includes the frequent introduction of new services and the impact of federal regulation on rates paid by Arkansas customers.

The Telecommunications Staff is comprised of the same personnel positions as the Electric and the Natural Gas and Water units and is also responsible for addressing industry specific rate, financial, and accounting matters. During 1988, sixty-one tariff filings were processed in addition to other filings for which this group is responsible.

The Telecommunications Staff is also responsible for the special rules governing the Telecommunications Industry. During 1988, major changes and additions to these regulatory rules were initiated.

The **Fiscal Audit Staff** is composed of two auditors and an audit supervisor. Primary responsibilities are auditing historical financial information and determining the appropriate level of expenses and investments for rate recovery. Although the Fiscal Audit Staff is not industry specific, it is expected to maintain a thorough knowledge of accounting principles affecting the determination of revenue requirements.

During 1988, the Fiscal Audit Section was assigned the responsibility of conducting compliance audits in addition to fulfilling its primary responsibility.

Common Section Responsibilities. The following is a discussion of the filings and responsibilities assigned to industry group staff members in the Revenue Requirements Section:

Rate Applications. Upon the filing of a rate application, the respective industry Staff, with participation and assistance from other sections, functions as a rate case team. Each individual team member is assigned issues relating to his or her expertise. Through extensive review, auditing, and analyses of rate applications, filings, and financial and operational information, the rate case team develops a Staff position recommending a revenue requirement. Staff's recommendations are presented to the Commission through pre-filed expert testimony. Subsequent to the filing of testimony, Staff and the utility formally present their cases to the Commission through oral testimony and cross-examination of witnesses during a public hearing.

Tariff Filings. Tariff filings are characterized by specific changes, additions, or deletions to utility rates or services which do not entail a general change in rate structure. The nature of tariff filings is such that they do not substantially impact the general body of ratepayers or the revenues received by a utility. Although much narrower in focus than a rate application, a tariff filing may require extensive analysis and review and always requires the preparation and filing of expert testimony by Staff. If necessary, a public hearing is held with Staff and the utility presenting their cases before the Commission. During 1988, approximately 130 tariff filings were processed.

Other Significant Filings. Revenue Requirements is also responsible for other significant filings. Such filings include Certificates of Convenience and Necessity, Certificates of Environmental Compatibility and Public Need, complaint filings requiring technical or industry expertise, and all generic proceedings. Such proceedings require investigations or the filing of testimony by Staff.

Other Responsibilities. In addition to processing the various filings by utilities, Revenue Requirements is responsible for monitoring the activities, operations, and earnings of all jurisdictional utilities. During 1988, significant changes occurred in each industry. Competition, deregulation, national policies, the threat of federal preemption, new technologies, and the massive revision to the tax law all affected utility regulation.

Administrative Services

Staff members assigned to the Administrative Services Section provide administrative support for the Utilities Division. The Section is comprised of four units - the Fiscal/ Personnel Office, the Mail/Supply/Copy Center, the Office of the Secretary of the Commission, and the Data Processing Staff. Responsibilities assigned to each area are outlined below.

Fiscal/Personnel Staff members are responsible for the preparation of initial budgets, purchasing, accounting, inventory control, payroll, and also assist in the development of assessments for the PSC's operating budget. This office is also responsible for administering the Federal Department of Transportation Pipeline Safety Grant.

Maintaining personnel records, screening and processing job applicants, conducting new employee orientation, and coordinating employee training and management classes are other functions performed by this Office.

Mail/Supply/Copy Center. The Mail/Supply/Copy Center is responsible for internal mail distribution, photocopying, and maintenance of the agency vehicle fleet.

Office of the Secretary of the Commission. The Office of the Secretary of the Commission processes all documents filed before the Commission and all orders issued by the Commission. Official Commission records such as docket files, tariffs, and annual reports are also maintained in this area.

Data Processing Staff. Data Processing staff members maintain computer hardware and software for rate cases, administrative and research support, and general office automation. New application development, adaptation of data and systems from other computer facilities, and training are also examples of Data Processing responsibilities. Currently, a Data General MV/10000 computer is used to handle in-house data and word processing. Portable microcomputers are provided to staff members involved in auditing functions away from the PSC office.

Legal

Legal Section attorneys perform a dual function at the Commission. The attorneys represent the Staff in proceedings before the Commission and represent the Commission in matters and proceedings outside the Commission.

In representing the Staff, Legal Section attorneys assist in the identification and development of issues and the preparation of testimony; provide counsel and advice; assist in negotiations; conduct cross-examination and present argument in hearings; and prepare and file briefs, as well as any necessary motions or other pleadings. Additionally, on behalf of the Staff, Legal Section attorneys provide information to representatives of other agencies, regulated utilities and members of the public.

Staff attorneys also represent the Commission in appellate cases, state courts, and proceedings before Federal agencies and courts. Other responsibilities performed by attorneys assigned to this Section include interpreting state and federal statutes and regulations affecting the Commission; acting as hearing officers in certain dockets; and conducting legal research as directed by the Commission. Further, Legal Section attorneys provide legal advice and counsel and make recommendations to the Commission regarding proposed legislation.

SECTION 5. TYPES OF PROCEEDINGS

The Arkansas Public Service Commission regulates public utilities generally within nine different types of proceedings. Additionally, the Commission can investigate various aspects of a utility's activities on its own motion. Each new case that is filed is assigned a number and then becomes a docket.

RATE CASE DOCKETS involve general changes to a utility's rates.

TARIFF DOCKETS deal with minor changes in rates, service, and company rules and regulations.

CERTIFICATE OF CONVENIENCE AND NECESSITY DOCKETS are applications by a utility for permission to construct or make substantial changes to its utility plant. For example, this includes building transmission lines for electric or natural gas companies. CCN dockets also generally define the scope of a utility's license to operate.

CERTIFICATE OF ENVIRONMENTAL COMPATABILITY AND PUBLIC NEED DOCKETS are similar to CCN dockets but authorize construction of a major utility facility which requires an Environmental Impact Statement.

COMPLAINT DOCKETS result when an individual group or another utility files a formal complaint against a utility for the service provided or rates charged.

CAPITAL RECOVERY DOCKETS analyze applications filed by the utility companies requesting a change in depreciation rates charged to utility plant investment.

FINANCING DOCKETS deal with applications by utilities to obtain additional financing from sources such as stocks and bonds.

RULES DOCKETS consider changes to Commission rules, regulations or procedures.

ADMINISTRATIVE DOCKETS usually deal with service area boundary changes and customer releases. On occasion, however, generic changes in PSC policy and interpretation of statutes and court rulings are handled in administrative dockets.

SECTION 6. SUMMARY SCHEDULE OF ORDERS ISSUED IN 1988

ORDER TYPE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ELECTRIC	3	36	23	17	12	28	19	35	25	18	19	12	252
GAS	8	16	7	13	16	6	6	10	17	8	5	9	121
TELEPHONE	22	43	55	33	29	28	21	23	33	33	35	28	375
WATER	1	5	3	1	1	1	1	1	1	3	4	2	24
SEWER	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHERS	5	4	4	0	0	0	1	2	3	4	1	3	27
TOTALS	52	104	92	64	58	55	48	71	79	66	64	46	799

TOTAL ORDERS ISSUED FOR THIS PERIOD WAS 799

SECTION 7. JURISDICTIONAL UTILITY COMPANIES

During 1988, the Commission carried out its statutory obligation to review and regulate the rates and practices of utility companies. There were 87 utility companies under the Commission's jurisdiction consisting of the following:

Investor-Owned Electric Companies	4
Electric Cooperatives	19
Investor-Owned Gas Companies	7
Water Companies	3
Telephone Companies	30
Competitive Interexchange Carriers, Resellers and Cellular Providers	24
TOTAL	87

Investor-Owned Electric Companies

Arkansas Power & Light Company
Empire District Electric Company
Oklahoma Gas & Electric Company
Southwestern Electric Power Company

Electric Cooperatives

Arkansas Electric Cooperative Corporation
Arkansas Valley Electric Cooperative Corporation
Ashley-Chicot Electric Cooperative, Inc.
C & L Electric Cooperative
Carroll Electric Cooperative Corporation
Clay County Electric Cooperative Corporation
Craighead Electric Cooperative Corporation
Farmers Electric Cooperative Corporation
First Electric Cooperative Corporation
Mississippi County Electric Cooperative, Inc.
North Arkansas Electric Cooperative, Inc.
Ouachita Electric Cooperative Corporation
Ozarks Electric Cooperative Corporation
Petit Jean Electric Cooperative Corporation
Riceland Electric Cooperative, Inc.
Rich Mountain Electric Cooperative, Inc.
South Central Arkansas Electric Cooperative, Inc.
Southwest Arkansas Electric Cooperative Corporation
Woodruff Electric Cooperative Corporation

Privately-Owned Gas Companies

- Arkansas Louisiana Gas Company
- Arkansas Oklahoma Gas Corporation
- Arkansas Western Gas Company
- Associated Natural Gas Company
- Louisiana-Nevada Transit
- Mansfield Gas, Inc.
- Union Gas Company of Arkansas, Inc. (The)

Water Companies

- General Waterworks Corporation of Pine Bluff
- Quapaw Water Company
- Shumaker Public Service Corporation

Telephone Companies

- ALLTEL Arkansas, Inc.
- Arkansas Telephone Company, Inc.
- Caddoan Telephone Company
- Central Arkansas Telephone Cooperative, Inc.
- Cleveland County Telephone Company
- Continental Telephone Company of Arkansas
- Continental Telephone Company of Missouri (Ark. customers)
- Decatur Telephone Company
- E. Ritter Telephone Company
- General Telephone Company of the Southwest, Inc.
- Lavaca Telephone Company, Inc.
- Liberty Telephone Company
- Madison County Telephone Company, Inc.
- Magazine Telephone Company
- Mountain Home Telephone Company, Inc.
- Mountain View Telephone Company
- Northern Arkansas Telephone Company
- Perco Telephone Company
- Prairie Grove Telephone Company
- Redfield Telephone Company
- Rice Belt Telephone Company
- South Arkansas Telephone Company, Inc.
- Southwest Arkansas Telephone Cooperative, Inc.
- Southwestern Bell Telephone Company
- Tri-County Telephone Company
- Union Telephone Company, Inc.
- United Telephone Company of Arkansas
- Walnut Hill Telephone Company
- Yelcot Telephone Company, Inc.
- Yell County Telephone Company

Interexchange Carriers, Resellers & Cellular Providers

AEROFONE, Inc.
AT&T
ALLTEL Mobile Communications of Arkansas, Inc.
ATC CIGNAL
Call America
Century Cellunet, Inc.
Compute-a-Call of Central AR, Inc.
Comtel of Arkansas
Comtel of Hot Springs (Loyd Communications)
Comtel of Pine Bluff (Phonemate)
Contel Cellular of Arkansas
Discount Communication Service
Fayetteville MSA Limited Partnership
Fort Smith MSA Limited Partnership
J-Net Communications, Inc.
LDDS of Arkansas, Inc.
Long Distance of Searcy, Inc.
McCaw Communications of Little Rock, Inc.
MCI Telecommunications Corporation, Southwest Division
Rogers Building Management, Inc.
TMC of Arkansas
TWR Cellular, Inc. (Cellular One of Ft. Smith)
US Sprint Communications Company, Southwest Division
Your Long Distance Connection

SECTION 8. GAS INDUSTRY SUMMARY

A. Highlights of 1988

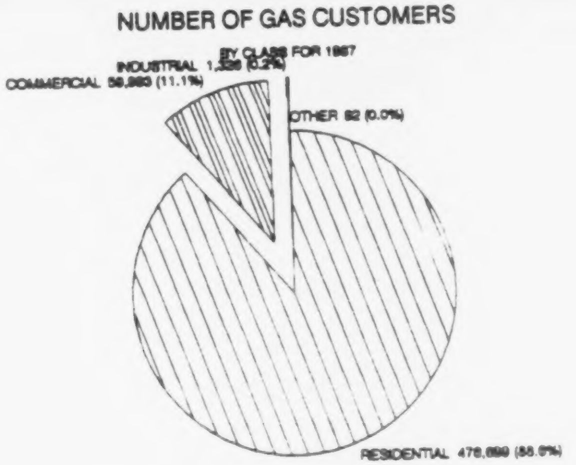
As large gas consumers have become more sophisticated and more sensitive to cost considerations, there has been an increasing use of alternative fuels which are in direct competition with natural gas. Any resulting loss of these large customers by Arkansas' local distribution companies would adversely affect the remaining Arkansas ratepayers. The difficulties of balancing these seemingly diverse interests were addressed in 1988 through the use of innovative methods which not only met the economic needs of the large consumers, but also retained load for the local distribution companies (LDC's). The Staff was also instrumental in developing low-cost gas and transportation programs which provide economic incentives for large gas consumers to continue to use LDC facilities, thereby benefiting all ratepayers.

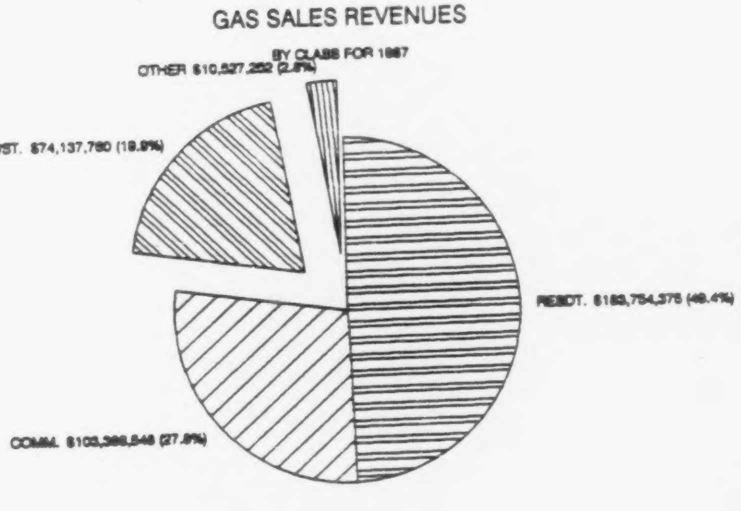
Similarly, direct competition by interstate pipelines and gas suppliers for large customers of local distribution companies threatened bypass of LDC facilities to the detriment of the remaining ratepayers. Staff addressed increasing numbers of certification procedures which threaten such bypass, both at the state and federal level. Additionally, the Staff proposed innovative rate design methodologies to further combat bypass by interstate pipelines.

Finally, there has been the impact of issues regarding gas contract take-or-pay provisions and the ensuing effects of Order 500, a FERC rulemaking, which in part provided for settlement of past take-or-pay liabilities of interstate pipelines. The allocation and payment of such costs are being closely monitored by the Commission. The evolution of Order 436, FERC's mandate to provide for open-access transportation on interstate pipelines, continued with the introduction of a proposed rulemaking on brokering capacity on interstate pipelines, in which the Commission actively participated. The previous years' federal activity continued to result in dramatic changes in the national gas regulatory climate and the emerging national gas market. All of these changes had significant ramifications for LDCs. The resulting opportunities for LDC's to obtain competitively priced gas have increased the need for Commission involvement in oversight of their purchasing practices. The Staff is preparing for an intensive review of the gas procurement practices of Arkansas' local distribution companies in 1989.

B. Gas Customers and Sales Revenues by Class

The following graphs show (1) the percentage of jurisdictional residential, commercial, industrial, and other customers and (2) the corresponding percentage of residential sales revenues, commercial sales revenues, industrial sales revenues and other sales revenues. As can be seen in comparing the two graphs, while residential customers represent over 88% of all customers, revenues for these customers only represent a little more than 49% of revenues. In contrast, while commercial and industrial customers represent 11% and a little over 1% of total customers, respectively, their sales revenues account for almost 28% and 20%, respectively, of total revenues.

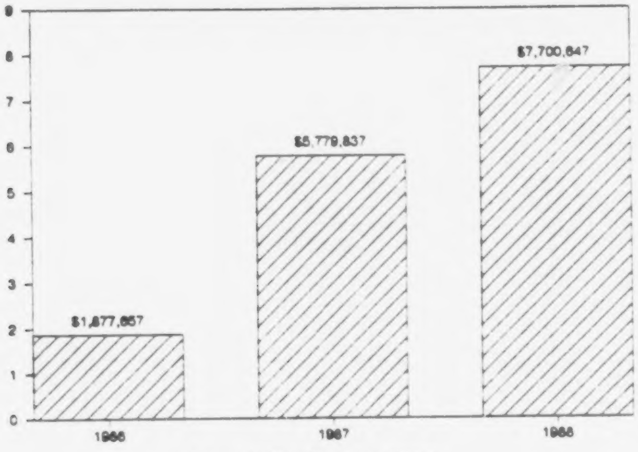




C. Gas Transportation Savings and Filings

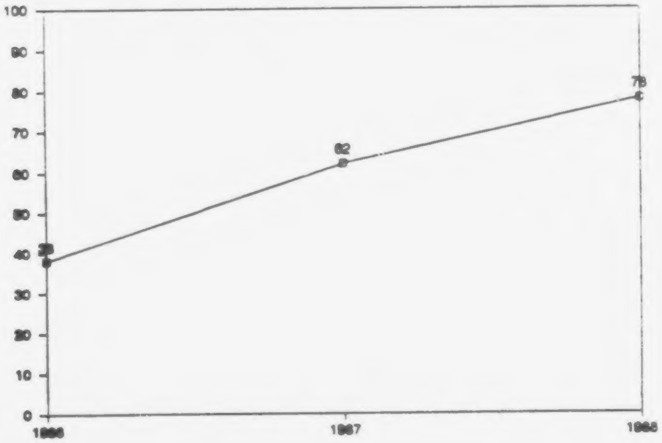
The following graphs represent (1) the dramatic savings that have been achieved by those customers using the transportation programs available in Arkansas and (2) the increase in filing activity that these programs have generated. Such filing activity has caused a corresponding dramatic increase in the Staff time necessary to properly review such filings.

GAS TRANSPORTATION SAVINGS*



*estimated savings Arkansas customers

GAS TRANSPORTATION FILINGS



D. STATISTICAL SUMMARIES FOR GAS UTILITIES

GAS COMPANIES - ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1987

COMPANY	PLANT INVESTMENT	OPERATING REVENUE	RATIO% GROSS REV./ INVEST.
ARKLA GAS CO.	$450,609,325	336,725,159	74.73%
ARKANSAS OKLAHOMA GAS CO.	32,291,328	33,473,325	103.66
ARKANSAS WESTERN GAS CO.	109,561,470	66,549,717	60.74
ASSOCIATED NATURAL GAS CO.	15,619,075	12,061,112	77.22
LOUISIANA-NEVADA TRANSIT CO.	1,783,120	3,428,161	192.26
MANSFIELD GAS, INC.	573,538	242,756	42.33
UNION GAS COMPANY OF ARK.	571,897	924,587	161.67
TOTALS	$611,009,753	$453,404,817	74.21%

GAS COMPANIES - ARKANSAS ONLY
CUSTOMERS; MCF SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	MCF SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE MCF PER CUSTOMER
ARKANSAS LOUISIANA GAS COMPANY					
RESIDENTIAL	354,627	29,175,395	$137,475,037	$388	82
COMMERCIAL	43,219	16,959,103	$74,584,729	$1,726	392
INDUSTRIAL	972	9,200,896	$36,817,257	$37,878	9,466
OTHER	3	9,300,694	$9,718,894	$3,239,631	3,100,231
TOTAL	398,821	64,636,088	$258,595,917	$648	162
ARKANSAS OKLAHOMA GAS CORPORATION					
RESIDENTIAL	33,310	3,079,190	$11,509,183	$346	92
COMMERCIAL	4,530	2,538,372	$8,627,288	$1,904	560
INDUSTRIAL	47	4,347,832	$11,841,658	$251,950	92,507
OTHER	10	229,787	$1,495,196	$149,520	22,979
TOTAL	37,897	10,195,181	$33,473,325	$883	269
ARKANSAS WESTERN GAS COMPANY					
RESIDENTIAL	68,221	5,700,129	$27,276,004	$400	84
COMMERCIAL	9,896	3,902,207	$17,114,981	$1,729	394
INDUSTRIAL	264	6,079,168	$19,518,012	$73,932	23,027
OTHER	3	3,381	$2,640,720	$880,240	1,127
TOTAL	78,384	15,684,885	$66,549,717	$849	200

GAS COMPANIES - ARKANSAS ONLY
CUSTOMERS; MCF SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	MCF SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE MCF PER CUSTOMER
ASSOCIATED NATURAL GAS COMPANY					
RESIDENTIAL	16,743	1,358,824	$6,228,572	$372	81
COMMERCIAL	81	1,859	$604,089	$7,458	23
INDUSTRIAL	42	1,104,463	$3,310,707	$78,826	26,297
OTHER	63	13,203	$105,575	$1,676	210
TOTAL	16,929	2,478,349	$10,248,943	$605	146
LOUISIANA-NEVADA TRANSIT					
RESIDENTIAL	1,431	110,685	$462,266	$323	77
COMMERCIAL	137	168,064	$300,838	$2,196	1,227
INDUSTRIAL	1	2,221,798	$2,650,126	$2,650,126	2,221,798
OTHER	3	220	$14,931	$4,977	73
TOTAL	1,572	2,500,767	$3,428,161	$2,181	1,591
MANSFIELD GAS, INC.					
RESIDENTIAL	619	35,029	$188,768	$305	57
COMMERCIAL	67	10,302	$51,915	$775	154
INDUSTRIAL	0	0	$0	$0	0
OTHER	0	0	$2,073	$0	0
TOTAL	686	45,331	$242,756	$354	66
UNION GAS COMPANY OF ARKANSAS					
RESIDENTIAL	1,748	136,727	$614,545	$352	78
COMMERCIAL	285	69,553	$290,539	$1,019	244
INDUSTRIAL	0	0	$0	$0	0
OTHER	10	4,839	$19,504	$1,950	484
TOTAL	2,043	211,119	$924,588	$453	103
TOTALS	536,332	95,751,720	$373,463,407	$696	179

E. Gas Docket Activity Summary - Cases Before the Commission

87-086-U Arkansas Louisiana Gas Company-Transportation

Eligibility for transportation must be determined and approved on an individual customer basis. It is in this docket that evaluations are made. In 1988, there were 20 new affidavits and 58 renewal affidavits filed in docket 87-086-U. Transportation service, as an alternative to sales service, saved qualifying customers in excess of $2,870,000 during 1988.

87-119-U Benchmark Gas Systems, Inc.

Benchmark Gas Systems, Inc. applied for a Certificate of Environmental Compatibility and Public Need for a natural gas pipeline. Staff filed testimony on January 15, 1988, and did not oppose construction of the pipeline. On February 9, 1988, the Commission granted the Certificate.

87-187-U Associated Natural Gas Company

In docket number 87-187-U, Associated Natural Gas Company and the Staff entered into a stipulation and agreement concerning settlement of three prior rate cases. Under the terms of the stipulation, Company and Staff would abide by the outcome of a particular court case. That case has since been adjudicated and the Staff and Company are currently processing the resulting rate change.

88-012-U Arkansas Louisiana Gas Company

Arkansas Louisiana Gas Company filed an application for recovery of costs of certain conservation measures mandated by the federal government. The Company later withdrew its application and this Docket was closed on April 25, 1988.

88-036-U Arkansas Oklahoma Gas Corporation

Arkansas Oklahoma Gas Corporation filed an Application for a Certificate of Environmental Compatibility and Public Need to construct a natural gas pipeline in Sebastian County. The pipeline was designed to connect two existing segments of the Company's transmission system. The Commission granted approval of the Certificate in Order No. 3 dated June 3, 1988.

88-045-U Arkansas Louisiana Gas Company

In Arkansas Louisiana Gas Company's most recent general rate proceeding, the Company was authorized to implement a Gas Main Replacement Program (GMRP). ALG's GMRP tariff provides for the replacement of gas mains when the Company can demonstrate that: (1)

the expenses resulting from lost and unaccounted for gas are greater than the cost of replacement; or (2) replacement is necessary to prevent or correct a potentially unsafe condition.

During 1988, ALG filed for approval of 53 projects. Four projects were subsequently withdrawn and approval for the remaining projects was granted. ALG was authorized in Order No. 4, issued December 6, 1988, to begin collecting revenues under the tariff effective January 1, 1989.

88-054-U Arkansas Louisiana Gas Company

Arkansas Louisiana Gas Company requested approval of its Arkansas Residential Conservation Service (ARCS) Plan applicable to residential customers in Arkansas. The plan provides for a state-wide weatherization of qualifying residential housing and home energy audits upon customer request. The Company's tariff to recover the cost associated with this program was approved by Order No. 5 dated May 25, 1988.

88-073-U Arkansas Western Gas Company

Arkansas Western Gas Company filed an application requesting a Certificate of Public Convenience and Necessity to construct a natural gas pipeline in Boone County. Staff filed testimony recommending approval of the pipeline on August 11, 1988. The Commission granted the Certificate.

88-081-U University Mall, The Mall, Inc., an Arkansas Corporation

An application was filed for a waiver under Rule 10E of the Commission's General Service Rules. Rule 10E sets standards for separate metering and billing of newly constructed facilites. Order No. 2 issued July 14, 1988 granted the waiver for the common areas and partitionable space, and required the tenants to continue to be metered separately.

88-092-U Arkansas Charcoal Company

Arkansas Charcoal Company filed an application for a Certificate of Environmental Compatibility and Public Need to certificate a natural gas pipeline. Staff filed a motion to dismiss the application and the Commission granted Staff's motion. The dismissal is currently on appeal.

88-121-U Texas Gas Transmission Corporation

The Commission instigated a Show Cause Order upon Texas Gas Transmission Corporation stating that a Certificate of Environmental Compatibility and Public Need should be filed with this Commission. Texas Gas replied that they are not under this Commission's jurisdiction. Texas Gas is wanting to serve a customer currently being served by a utility regulated by this Commission. Oral testimony has not yet been heard in this Docket.

88-138-U Arkansas Western Gas Company

This Docket was established as a result of Staff's investigation into the effects of the Tax Reform Act on Arkansas Western Gas Company. The Company, which serves approximately 80,000 customers in Northwest Arkansas, will refund $1.650 million in excess deferred income tax over a two-year period.

88-142-U Arkansas Western Gas Company

Arkansas Western Gas Company applied for a Certificate of Environmental Compatibility and Public Need to construct a natural gas pipeline in Franklin County. The pipeline will enable the Company to send more gas to its division, Associated Natural Gas Company, in Eastern Arkansas. An Order has not yet been issued in this Docket.

88-170-U Arkansas Louisiana Gas Company

Arkla, Staff, and the Attorney General's Office, filed a Joint Motion to modify the mechanism for calculating gas cost. The mechanism, used by Arkla Energy Resources, allows accrued gas expenses in the purchased gas adjustment clause and provides that increases in excess of 103% be justified by AER.

88-201-U Arkansas Western Gas Company

Staff filed a Motion for the Issuance of a Show Cause Order in the matter of charges in the purchased gas adjustment clause of Associated Natural Gas Company, a division of Arkansas Western Gas Company. In its Motion, Staff contends that improper charges are being passed through the purchased gas adjustment clause.

88-005-R Arkansas Gas Pipeline Safety Code

Staff initiated this Docket to address several new Federal regulations pertaining to gas pipeline safety. The Arkansas Gas Pipeline Code was amended to align the Code with the Minimum Federal Safety Standards.

87-143-TF Arkansas Oklahoma Gas Corporation

AOG requested approval to supersede the Company's WA-9 Tariff with a new WA-9 Tariff that removed one of the conditions of the tariff. The WA-9 Tariff provides for the discounting of rates to customers in order to meet competition. Company and Staff reached an agreement prior to the hearing, with the Company subsequently filing an additional amended WA-9 Tariff.

88-046-TF Arkansas Louisiana Gas Company

ALG requested approval to revise its T-1 transportation tariff to allow qualified customers to enter into a transportation contract for longer than one year. Testimony was filed by the Company, the Staff and Arkansas Gas Consumers. Following a Motion for Continuance by ALG, the scheduled hearing was suspended. Rescheduling of the hearing is pending.

88-076-TF Arkansas Louisiana Gas Company

ALG filed revised General Service Rules and Regulations and requested approval to offer a flexible date payment plan for customers who receive a pension or social security check as their primary source of income, or are dependent solely upon a disability income, regardless of age. The Staff filed written testimony recommending approval. The tariff was approved pursuant to Order No. 1, filed June 22, 1988.

88-089-TF Arkansas Louisiana Gas Company

ALG filed and requested approval on minor revisions in its Rate Schedules, Supplements, and Standard Rules and Regulations to reflect changes in billing format and to correct terminology. The Staff filed written testimony recommending approval. The tariff was approved pursuant to Order No. 1, filed July 19, 1988.

88-098-TF Arkansas Western Gas Company

AWG revised the rate schedules for the Company's recently acquired Associated Natural Gas Company. The only revision was a name change reflecting ANG's new status as a division of AWG. The Staff filed written testimony recommending approval. The tariff was approved pursuant to Order No. 1, filed July 27, 1988.

88-168-TF Arkansas Oklahoma Gas Corporation

AOG filed a Market Retention Credit Adjustment Clause to augment its Cost-of-Gas adjustment tariff. The intent of the tariff clause is to retain industrial load on the AOG system. The Staff filed written testimony recommending approval. Order No. 1, filed November 23, 1988, approved the tariff. AOG subsequently filed a Motion for Expedited Consideration of the MRCA Clause because of a pending appeal of the Commission's denial of AOG's WA-7 tariff (Docket No. 87-110-TF) before the Arkansas Court of Appeals. The Commission affirmed Order No. 1.

88-194-TF Arkansas Louisiana Gas Company

ALG filed an Extension Project Adjustment tariff for recovery of costs allowed pursuant to Arkansas Code Annotated Section 23-3-601 et seq., also known as Act 150 of 1987. Under the provisions of this Act, a natural gas utility may request authorization from the APSC to (1) extend service to areas in Arkansas which have heretofore not received gas service, (2) expend funds on the extension project, and (3) concurrently seek approval to recover any excess expenditures arising out of this project. The tariff was subsequently withdrawn January 4, 1989.

88-183-C Gary Greer vs. Arkansas Louisiana Gas Company

Mr. Greer originally complained to Arkla regarding what he believed to be an abnormal reading. The Company pulled and replaced the meter. The meter was later tested and reported to be in proper working order. The Complainant disputes a portion of the high bill received before the meter was pulled. This Docket is pending before the Commission.

F. Gas Docket Activity Summary - Cases on Appeal

APSC Docket 87-149-U.

Arkansas Oklahoma Gas Corporation
v.
Arkansas Public Service Commission.

Arkansas Court of Appeals Case No. CA 88-260.

This case involves an Act 310 filing by Arkansas Oklahoma Gas Corporation (AOG) wherein AOG seeks to recover expenses incurred in removing asbestos from two of its buildings in the course of renovation. AOG claims that the asbestos removal is mandated under Environmental Protection Agency regulations and is therefore subject to Act 310 treatment. The Commission held that EPA regulations do not mandate the removal of asbestos under the circumstances of this case. The dollar value of the case is approximately $152,000.

APSC Docket 87-110-TF

Arkansas Oklahoma Gas Corporation
v.
Arkansas Public Service Commission

Arkansas Court of Appeals Case No. CA 88-235.

In Docket No. 87-110-TF, Arkansas Oklahoma Gas (AOG) filed a proposed gas transportation tariff. The tariff stated that service under this tariff "will be available, when provided to any one customer, at the sole discretion of the company, to all industrial customers..." Staff filed testimony opposing the tariff as filed. Order No. 4, filed April 14, 1988, dismissed the tariff for lack of criteria by which an industrial customer or the company could determine whether the customer qualified for the service.

AOG filed a Notice of Appeal in the Arkansas Court of Appeals on August 8, 1988. AOG's brief was filed on November 16, 1988. On December 6, 1988, AOG's Market Retention Credit Adjustment Clause Tariff in Docket No. 88-168-TF was approved by the Commission. Believing that this tariff provided AOG a viable alternative to the gas transportation tariff, AOG filed a Motion to dismiss CA 88-235 in the Arkansas Court of Appeals. The Court granted that Motion on December 12, 1988.

APSC Docket No. 87-009-U

Arkansas Charcoal Company and TXO Corp.
v.
Arkansas Public Service Commission

Arkansas Court of Appeals Case No. CA 88-195.

APSC Docket 87-009-U concerned the bypass of Arkansas Western Gas Company by Texas Oil and Gas Company (TXO) to serve Arkansas Charcoal Company (ACC). The primary issue in this case is whether a non-utility building a pipeline meeting the specifications of a major utility facility must comply with that statutory provision. It is the Commission's position that non-utilities must comply with the citing act as well as utilities.

On December 1, 1988, The Arkansas Court of Appeals granted the Joint Motion to consolidate Arkansas Charcoal Company and TXO Production Corp. v. Arkansas Public Service Commission and Arkansas Western Gas Co., Case No. CA88-395, into Case No. CA88-195, since all issues in CA88-395 were involved in CA88-195. On December 28, 1988, the Arkansas Court of Appeals rendered its decision holding that the pipeline was subject to the major utility facility act but that only an environmental impact statement need be filed.

On January 13, 1989, the Commission petitioned for rehearing at the Court of Appeals and also petitioned the Arkansas Supreme Court for certiorari and review of the decision of the Court of Appeals. As yet, no decision has been rendered on either application.

APSC Docket 81-349-U

Associated Natural Gas Company
v.
Arkansas Public Service Commission

Pulaski County Circuit Case No. 82-8668

APSC Docket 83-136-U

Associated Natural Gas Company
v.
Arkansas Public Service Commission

Pulaski County Circuit Court Case No. 84-5987

APSC Docket 85-308-U

Associated Natural Gas Company
v.
Arkansas Public Service Commission

Arkansas Court of Appeals Case No. CA 87-20

In 1981, Associated Natural Gas Company (ANG) filed a rate case with the Commission in Docket No. 81-349-U. ANG appealed the Commission's decision regarding: the refund of excess deferred taxes resulting from the reduction in the corporate tax rate from 48% to 46%, the disallowance of clerical wage expense increases as being outside the test year, and the application of double leverage to ANG's capital structure.

While the appeal of 81-349-U was pending in the Circuit Court, ANG filed a rate case as APSC Docket No. 83-136-U. Again, ANG appealed the disallowance of certain wage expense increases as being outside the test year and the application of double leverage to ANG's capital structure.

While the appeal of Docket 83-136-U was pending in Circuit Court, ANG filed a rate case with the Commission as APSC Docket No. 85-308-U. Again, ANG appealed the Commission's decision disallowing certain wage expense increases as being outside the test year and the application of double leverage to ANG's capital structure. The appeal of APSC Docket 85-308-U was lodged in the Arkansas Court of Appeals as Case No. CA 87-20.

Since the issues regarding the disallowance of wage expense increases and the application of double leverage were identical in all three cases, the Commission and ANG, in order to expedite the decisions of the two cases still pending in the Pulaski County Circuit Court, agreed that the decision of the Court of Appeals would control on both issues. With regard to the issue of the refund of excess deferred taxes, ANG conceded the issue in light of the decision of the Circuit Court of Pulaski County in AP&L v.

Arkansas Public Service Commission. The dollar value of the excess deferred tax issue was $45,765.

The Court of Appeals reversed the decision of the Public Service Commission on the issue of the application of double leverage to ANG's capital structure. This reversal results in a change in ANG's base rates in the amount of $380,000 per annum, which will give ANG the ability to surcharge, over a period of approximately 6 1/2 years, the sum of $3.8 million.

SECTION 9. ELECTRIC INDUSTRY SUMMARY

A. Highlights of 1988

During 1988, the staff responded to issues on the state and federal level resulting from increased competitive pressures in the electric industry. On the retail level, those issues relate specifically to excessive capacity levels that exist in Arkansas. The effect of competitive pressure in the retail sector is demonstrated by the number of filings received by the Commission this year requesting special rate treatment to promote load retention and economic development. Because of the availability of alternative sources of power, including cogeneration and other fuels at competitive rates, the staff supported approval of special contracts that allow utilities to retain or expand industrial load. This action preserves the revenue base of the utility and prevents the shifting of increased costs to other ratepayers.

On the federal level, the Commission addressed FERC's "electric industry initiative", which is designed to promote competition, by filing comments in several dockets. The comments expressed Arkansas' views on topics regarding the administrative determination of avoided cost, competitive bidding and the development of independent power producers.

The Commission also filed testimony and sponsored a witness at FERC hearings regarding specific audit adjustments applicable to System Energy Resources, Inc.'s (Grand Gulf) rate base and calculation of net unit investment. A favorable ruling by FERC upheld by any subsequent court action could result in substantial refunds to the operating companies of the MSU System. The refunds would ultimately go to AP&L's retail customers and, in addition, could provide prospective rate reductions.

In another case at the federal level, FERC ordered refunds resulting from the settlement of a case which involved railroad transportation charges. This settlement led to the development and approval of AP&L Rider M42 which will result in refunds to retail ratepayers over the next two years.

A ruling by the Federal Accounting Standards Board preempted the Commission's previous approval of the settlement. As a result, AP&L's Grand Gulf settlement was renegotiated. The Commission also filed comments with FERC stressing its position that rulings, such as FASB No. 92, impede the ability of state regulators to discharge their duty to set fair and reasonable rates for electric utilities.

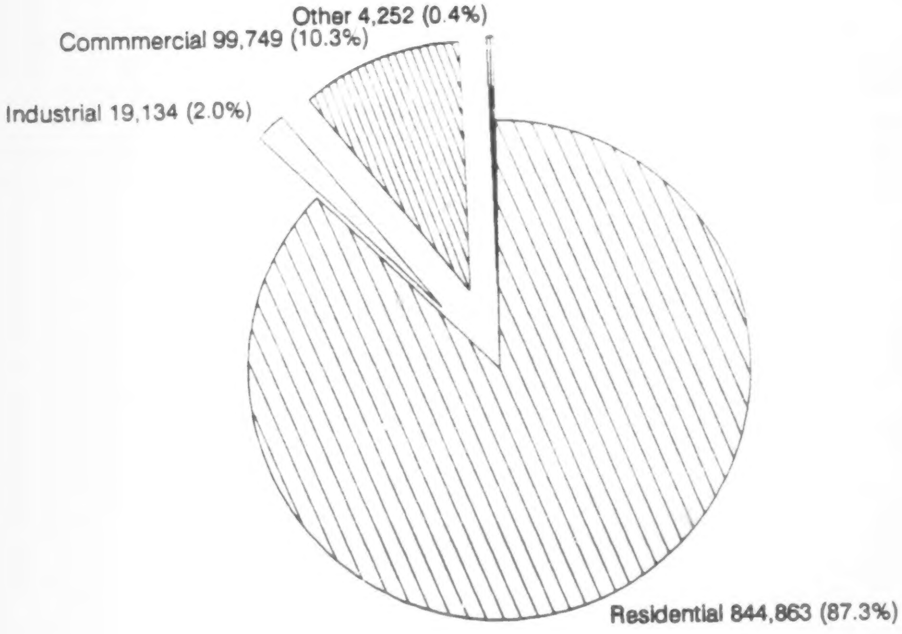
An External Decommissioning Trust Fund was established by AP&L and approved by the Commission for the funds necessary to pay the decommissioning costs of two nuclear generating units. In the same docket, the Commission approved modification of AP&L's annual depreciation accrual rates.

The staff continued to monitor federal legislative activity associated with Acid Rain, the development of a national energy policy and a state/federal joint board, nuclear waste disposal, proposals to amend the Public Utility Holding Company Act, interstate wheeling, and Normalized Excess Deferred Income Taxes protected by Section 203(e) of the Internal Revenue Code.

B. Electric Customers by Class

The following chart is a graphic representation of the total retail electric customers in Arkansas, divided into four parts to show the proportion for each group. As can easily be seen, residential customers are the largest group, representing 87% of all customers. Commercial customers are the next largest group at 10% while industrial customers comprise 2% of the total.

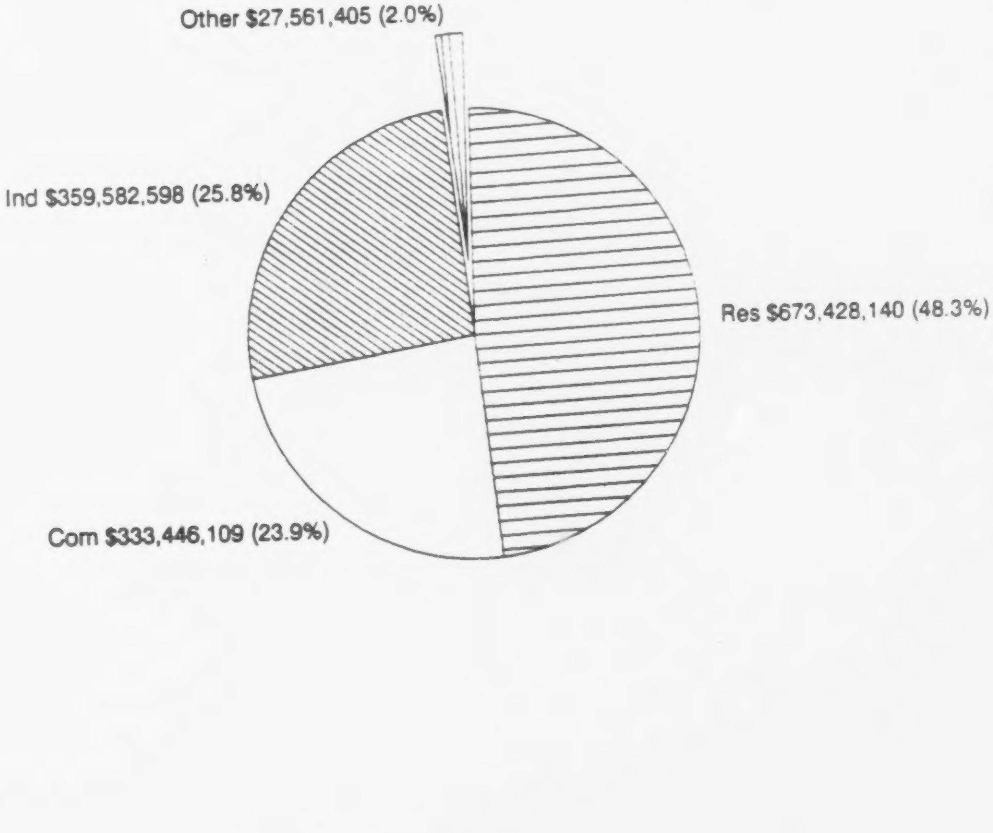
RETAIL ELECTRIC CUSTOMERS - 1987



C. Retail Electric Revenues by Class

The following chart is a representation of the total retail electric revenues collected in Arkansas. While residential customers represent 87% of the number of customers, they supply only 48% of the total retail electric revenues. On the other hand, while the commercial and industrial classes comprise only 10% and 2% of the number of total customers, respectively, those classes provide 24% and 26% of the revenues. The other classes contain less than 1% of the customers but those customers supply 2% of the total retail revenues.

RETAIL ELECTRIC REVENUES - 1987



D. Statistical Summaries for Electric Utilities

ELECTRIC COMPANIES-ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1987

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS/REV. INVEST.
ARK. ELECTRIC COOP.	$ 626,815,216	$ 191,964,909	30.63%
ARK. POWER & LIGHT CO.	3,604,639,035	1,321,396,448	36.66
ARK. VALLEY ELEC. COOP.	62,164,599	30,797,383	49.54
ASHLEY-CHICOT ELEC. COOP.	6,960,228	3,742,974	53.78
C&LELEC. COOP.	26,836,875	14,493,291	54.01
CARROLL ELEC. COOP.	74,354,579	33,084,880	44.50
CLAY COUNTY ELEC. COOP.	16,838,648	9,095,459	54.02
CRAIGHEAD ELEC. COOP.	40,129,611	24,057,659	57.29
EMPIRE DIST. ELEC. CO.	8,351,907	3,490,106	41.79
FARMERS ELEC. COOP.	8,102,909	4,758,035	58.72
FIRST ELEC. COOP.	69,354,533	50,386,547	72.65
MISS. COUNTY ELEC. COOP.	6,254,444	3,097,437	49.52
NORTH ARK. ELEC. COOP	48,246,787	23,852,699	49.44
OKLA. GAS & ELEC. CO.	105,093,703	103,643,547	98.62
OUACHITA ELEC. COOP.	20,479,673	14,177,040	69.22
OZARKS ELEC. COOP	41,990,572	24,057,659	57.29
PETIT JEAN ELEC. COOP.	27,682,023	11,293,582	40.80
RICELAND ELEC. COOP.	9,745,973	3,801,782	39.01
RICHMTN. ELEC. COOP.	11,886,894	4,665,933	39.25
SO. CENTRAL ARK. ELEC. COOP.	13,789,913	8,208,913	59.53
S. W. ARK. ELEC. COOP	53,861,539	25,365,205	47.09
SOUTHWESTERN ELEC. POWER	228,366,026	143,371,036	62.78
WOODRUFF ELEC. COOP	41,977,420	18,535,353	44.16
TOTALS	$6,361,395,543	$2,070,403,401	32.55%

ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
ARKANSAS ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	0	0	$0	$0	0
COMMERCIAL	0	0	$0	$0	0
INDUSTRIAL	0	0	$0	$0	0
OTHER	17	4,098,502,000	$191,964,909	$11,292,053	241,088,353
TOTAL	17	4,098,502,000	$191,964,909	$11,292,053	241,088,353
ARKANSAS POWER & LIGHT					
RESIDENTIAL	471,459	4,894,457,559	$388,768,987	$825	10,382
COMMERCIAL	57,477	3,393,274,310	$222,451,406	$3,870	59,037
INDUSTRIAL	18,410	4,720,196,764	$254,956,011	$13,849	256,393
OTHER	901	15,733,345,773	$455,220,044	$505,239	17,462,093
TOTAL	548,247	28,741,274,406	$1,321,396,448	$2,410	52,424
ARKANSAS VALLEY ELECTRIC COOPERATIVE					
RESIDENTIAL	27,435	288,023,992	$22,085,549	$805	10,498
COMMERCIAL	1,367	42,068,706	$3,080,233	$2,253	30,774
INDUSTRIAL	8	112,136,880	$5,049,830	$631,229	14,017,110
OTHER	417	4,224,420	$544,129	$1,305	10,131
TOTAL	29,227	446,453,998	$30,759,741	$1,052	15,275
ASHLEY-CHICOT ELECTRIC COOPERATIVE, INC.					
RESIDENTIAL	2,955	31,564,918	$2,597,032	$879	10,682
IRRIGATION	334	5,391,040	$476,935	$1,428	16,141
COMMERCIAL	629	5,876,534	$611,377	$972	9,343
INDUSTRIAL	0	0	$0	$0	0
OTHER	18	579,756	$57,630	$3,202	32,209
TOTAL	3,936	43,412,248	$3,742,974	$951	11,030

ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

C & L ELECTRIC COOPERATIVE

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
RESIDENTIAL	13,609	129,265,743	$11,051,806	$812	9,499
IRRIGATION	435	3,797,928	$469,971	$1,080	8,731
COMMERCIAL	1,021	30,242,930	$2,387,772	$2,339	29,621
INDUSTRIAL	1	593,100	$46,714	$46,714	593,100
OTHER	342	3,727,557	$537,028	$1,570	10,899
TOTAL	15,408	167,627,258	$14,493,291	$941	10,879

CARROLL ELECTRIC COOPERATIVE CORPORATION

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
RESIDENTIAL	30,868	327,444,925	$25,335,406	$821	10,608
COMMERCIAL	1,741	76,129,162	$5,508,137	$3,164	43,727
INDUSTRIAL	3	34,327,624	$1,506,262	$502,087	11,442,541
OTHER	36	2,256,454	$735,075	$20,419	62,679
TOTAL	32,648	440,158,165	$33,084,880	$1,013	13,482

CLAY COUNTY ELECTRIC COOPERATIVE CORPORATION

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
RESIDENTIAL	8,435	67,882,227	$5,464,929	$648	8,048
IRRIGATION	866	4,355,425	$484,906	$560	5,029
COMMERCIAL	862	26,447,569	$2,084,833	$2,419	30,682
INDUSTRIAL	4	14,273,952	$926,704	$231,676	3,568,488
OTHER	67	1,350,250	$134,717	$2,011	20,153
TOTAL	10,234	114,309,423	$9,096,089	$889	11,170

CRAIGHEAD ELECTRIC COOPERATIVE CORPORATION

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
RESIDENTIAL	19,403	212,371,666	$16,896,002	$871	10,945
IRRIGATION	1,000	12,632,731	$1,230,507	$1,231	12,633
COMMERCIAL	2,809	47,495,545	$4,075,142	$1,451	16,908
INDUSTRIAL	5	14,230,990	$787,749	$157,550	2,846,198
OTHER	23	342,790	$17,670	$768	14,904
TOTAL	23,240	287,073,722	$23,007,070	$990	12,353

ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
EMPIRE DISTRICT ELECTRIC COMPANY					
RESIDENTIAL	2,292	19,498,498	$1,113,670	$486	8,507
COMMERCIAL	510	18,907,356	$1,045,924	$2,051	37,073
INDUSTRIAL	4	29,055,008	$1,141,541	$285,385	7,263,752
OTHER	66	3,620,173	$188,971	$2,863	54,851
TOTAL	2,872	71,081,035	$3,490,106	$1,215	24,750
FARMERS ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	3,851	39,021,177	$2,986,674	$776	10,133
IRRIGATION	690	12,002,964	$1,079,913	$1,565	17,396
COMMERCIAL	331	8,464,421	$587,686	$1,775	25,572
OTHER	9	343,200	$103,762	$11,529	38,133
TOTAL	4,881	59,831,762	$4,758,035	$975	12,258
FIRST ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	40,319	448,752,682	$36,374,981	$902	11,130
IRRIGATION	1,258	20,677,058	$1,789,890	$1,423	16,436
COMMERCIAL	1,273	60,405,474	$4,188,510	$3,290	47,451
INDUSTRIAL	2	217,843,339	$6,922,943	$3,461,472	108,921,670
OTHER	269	9,441,465	$1,110,223	$4,127	35,098
TOTAL	43,121	757,120,018	$50,386,547	$1,168	17,558
MISSISSIPPI COUNTY ELECTRIC COOPERATIVE, INC.					
RESIDENTIAL	3,069	31,124,753	$2,617,859	$853	10,142
IRRIGATION	10	669,977	$59,583	$5,958	66,998
COMMERCIAL	199	2,677,006	$223,447	$1,123	13,452
INDUSTRIAL	2	2,811,560	$150,219	$75,110	1,405,780
OTHER	32	291,850	$46,059	$1,439	9,120
TOTAL	3,312	37,575,146	$3,097,167	$935	11,345

ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
NORTH ARKANSAS ELECTRIC COOPERATIVE, INC.					
RESIDENTIAL	19,623	195,636,117	$16,414,342	$836	9,970
COMMERCIAL	1,385	57,689,193	$4,049,309	$2,924	41,653
INDUSTRIAL	3	49,746,640	$2,740,790	$913,597	16,582,213
OTHER	310	3,929,173	$648,258	$2,091	12,675
TOTAL	21,321	307,001,123	$23,852,699	$1,119	14,399
OKLAHOMA GAS & ELECTRIC COMPANY					
RESIDENTIAL	46,224	489,634,773	$32,727,978	$708	10,593
COMMERCIAL	6,746	427,032,417	$24,585,505	$3,644	63,302
INDUSTRIAL	100	640,788,248	$24,201,172	$242,012	6,407,882
OTHER	758	481,620,317	$6,180,649	$8,154	635,383
TOTAL	53,828	2,039,075,755	$87,695,304	$1,629	37,881
OUACHITA ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	7,322	67,184,330	$5,558,359	$759	9,176
COMMERCIAL	824	53,022,007	$4,582,686	$5,562	64,347
INDUSTRIAL	10	58,212,062	$3,900,569	$390,057	5,821,206
OTHER	6	367,092	$135,426	$22,571	61,182
TOTAL	8,162	178,785,491	$14,177,040	$1,737	21,905
OZARKS ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	23,859	245,510,718	$18,086,397	$758	10,290
COMMERCIAL	294	59,327,409	$3,603,358	$12,256	201,794
INDUSTRIAL	4	27,887,120	$1,632,694	$408,174	6,971,780
OTHER	109	4,035,486	$735,210	$6,745	37,023
TOTAL	24,266	336,760,733	$24,057,659	$991	13,878

ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
PETIT JEAN ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	12,099	100,067,779	$8,271,895	$684	8,271
COMMERCIAL	993	31,043,976	$2,236,318	$2,252	31,263
INDUSTRIAL	4	6,084,320	$459,130	$114,783	1,521,080
OTHER	231	2,509,291	$326,239	$1,412	10,863
TOTAL	13,327	139,705,366	$11,293,582	$847	10,483
RICELAND ELECTRIC COOPERATIVE, INC.					
RESIDENTIAL	2,595	21,394,296	$2,260,430	$871	8,244
IRRIGATION	691	8,071,518	$870,836	$1,260	11,681
COMMERCIAL	139	4,075,292	$426,942	$3,072	29,319
INDUSTRIAL	1	3,347,000	$242,185	$242,185	3,347,000
OTHER	0	0	$1,389	$0	0
TOTAL	3,426	36,888,106	$3,801,782	$1,110	10,767
RICH MOUNTAIN ELECTRIC COOPERATIVE, INC.					
RESIDENTIAL	4,927	47,563,799	$4,195,157	$851	9,654
COMMERCIAL	204	5,787,922	$447,419	$2,193	28,372
INDUSTRIAL	0	0	$0	$0	0
OTHER	0	0	$23,357	$0	0
TOTAL	5,131	53,351,721	$4,665,933	$909	10,398
SOUTH CENTRAL ARKANSAS ELECTRIC COOPERATIVE, INC.					
RESIDENTIAL	7,062	60,234,865	$4,973,276	$704	8,529
IRRIGATION	3	166,124	$22,119	$7,373	55,375
COMMERCIAL	382	13,631,258	$1,045,603	$2,737	35,684
INDUSTRIAL	2	48,412,133	$2,133,319	$1,066,660	24,206,067
OTHER	7	128,028	$35,226	$5,032	18,290
TOTAL	7,456	122,572,408	$8,209,543	$1,101	16,439

ELECTRIC COMPANIES - ARKANSAS ONLY
CUSTOMERS; KWH SOLD; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	KWH SOLD	REVENUES	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER
SOUTHWEST ARKANSAS ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	17,759	183,903,080	$14,747,519	$830	10,355
IRRIGATION	30	199,599	$30,669	$1,022	6,653
COMMERCIAL	1,573	72,834,117	$5,559,789	$3,535	46,303
INDUSTRIAL	4	92,233,200	$4,945,540	$1,236,385	23,058,300
OTHER	11	329,002	$81,688	$7,426	29,909
TOTAL	19,377	349,498,998	$25,365,205	$1,309	18,037
SOUTHWESTERN ELECTRIC POWER COMPANY					
RESIDENTIAL	67,115	605,337,[illegible]2	$39,670,516	$591	9,019
COMMERCIAL	10,225	513,343,[illegible]0	$28,008,003	$2,739	50,205
INDUSTRIAL	562	1,082,954,[illegible]28	$46,931,851	$83,509	1,926,966
OTHER	671	555,244,057	$28,760,666	$42,862	827,487
TOTAL	78,573	2,756,880,057	$143,371,036	$1,825	35,087
WOODRUFF ELECTRIC COOPERATIVE CORPORATION					
RESIDENTIAL	12,583	129,673,824	$11,229,376	$892	10,305
IRRIGATION	2,757	37,318,793	$3,323,171	$1,205	13,536
COMMERCIAL	661	36,009,482	$2,817,941	$4,263	54,477
INDUSTRIAL	5	14,087,020	$908,006	$181,601	2,817,404
OTHER	9	207,560	$256,859	$28,540	23,062
TOTAL	16,015	217,296,679	$18,535,353	$1,157	13,568
TOTALS	968,025	41,802,235,618	$2,054,302,393	$2,122	43,183

E. Electric Docket Activity Summary
Cases Before the Commission

81-144-U   Arkansas Power & Light Company

The Commission approved a Stipulation and Settlement Agreement between AP&L, Reynolds Metals Co., and the Staff with regard to Rider M34. Under the terms of the Stipulation and Settlement Agreement, Reynolds will pay AP&L $1.9 million. Other Arkansas retail customers of AP&L received a credit of approximately $700,000.00.

87-153-U   Craighead Electric Cooperative Corporation

Craighead Coop. applied for, and was granted, a CCN to construct, operate and own a 69 kV transmission line within Craighead County.

88-009-U   Mr. & Mrs. C. Tortorello

An application for a waiver of General Service Rule 10E regarding separate metering and billing, was denied by Order No. 7, issued September 28, 1988. The Commission found that the applicants did not show by substantial evidence that the costs of separate metering and billing would outweigh the long-term benefits to Ozark Electric Cooperative's customers as a whole.

88-010-U   First Electric Cooperative, Corp.

First Electric requested allocation of previously unallocated territory in Saline County. Arkansas Power & Light also requested allocation of the subject territory. This docket is currently pending before the Commission.

88-086-U   Southwestern Electric Power Company

In Docket No. 88-086-U, the Commission approved a tariff rider which was established to amortize to ratepayers $2,151,327 of deferred coal expenses. This liability had accrued pending resolution of federal litigation contesting an increase of federal coal royalties from twenty cents per ton to 12 1/2% of the value of the coal. Although fuel costs, including royalties, are normally recovered from ratepayers through the fuel adjustment clause, the billing impact to ratepayers of a lump-sum charge in a single month was avoided by approving a tariff rider which will instead recover the deferred cost over an eighteen-month period.

88-102-U   Ozarks Electric Cooperative Corporation

In Docket No. 88-102-U, Ozarks filed an application requesting a Certificate of Convenience and Necessity to construct, own and operate a 69 kV transmission line in Washington County. The Commision granted Ozarks' request on December 16, 1988.

88-106-U Riceland Electric Cooperative

In Docket No. 88-106-U, Riceland requested and was granted two changes to its Rate Schedule No. 6, serving Jefferson Gin: 1) a rate reduction and 2) additional allowed hours of operation. These changes were designed to maintain the beneficial off-peak load of the customer as well as to allow the customer more flexible operating hours. An examination of the costs allocated to Jefferson Gin in Riceland's last rate case proceeding, Docket No. 81-215-U, indicated that the proposed rate reduction would cover all variable costs to serve the gin and also provide a return on its allocated rate base.

88-120-U Empire District Electric Company

Empire District Electric Company applied for authority to issue and sell $25,000,000 principal amount of its first mortgage bonds and to execute and deliver a supplemental indenture to provide for the terms of said bonds. Commission approval was obtained.

88-132-U Arkansas Power and Light Company

AP&L requested, and was granted, a Certificate of Convenience and Necessity to construct, own and operate a 161 kV transmission line from Cushman to Cave City.

88-133-U Arkansas Power and Light Company

Arkansas Power and Light Company applied for authority to issue and sell not more than $270,000,000 principal amount of its first mortgage bonds and to issue and sell not more than $150,000,000 aggregate par value or liquidation value of its preferred stock, cumulative. Commission approval was obtained.

88-137-U Arkansas Electric Cooperative Corporation

AECC requested and was granted approval to enter into a leveraged lease for its hydroelectric generating facility at Lock and Dam 13 on the Arkansas River, with Meridian Trust Company acting as trustee for the benefit of NYNEX Credit Company for $105 million. Under the terms of the sale, AECC will lease the facility for twenty-five years with the option to renew the lease for twenty additional years. AECC also has the option to repurchase the facility at several points during the lease. The capacity and energy generated by the facility will continue to be available to AECC's customers. AECC and Staff have stipulated that AECC has until December 31, 1989, to optimize the use of the proceeds from this transaction to prepay outstanding debt.

88-156-U Arkansas Power & Light Company

Arkansas Power & Light filed an application requesting authority to transfer its operating license for Arkansas Nuclear One, Unit 1 and Unit 2, to System Energy Resources, Inc. The consolidation of system-wide nuclear operating responsibility, would include SERI's Grand Gulf I, Louisiana Power & Light Company's Waterford 3 nuclear units, and Arkansas Power and Light's Nuclear One, Units 1 & 2. The Company's application is currently pending before the Commission.

88-192-U Arkansas Power and Light Company

The Commission approved Rider M42, which provided for the refund of approximately $12.2 million to Arkansas retail ratepayers over the next two years. This refund is the result of a Settlement Agreement between AP&L and two railroads regarding reparations to AP&L for past railroad transportation charges on coal shipments. Approximately $8.4 million will be refunded during 1989.

87-166-TF Arkansas Power & Light Company

The Commission approved in March, 1988, the establishment of an External Decommissioning Trust Fund. The fund will be used to pay decommissioning costs of AP&L's two nuclear generating units. The Commission also approved modification of AP&L's annual depreciation accrual rates. Implementation of these two changes resulted in a net annual reduction of approximately $1,659,000. The decommissioning rates were updated in December, 1988, which increased rates by approximately $327,000 on an annualized basis.

87-183-TF Arkansas Power and Light Company

AP&L filed proposed revisions in their Standby Rider M7. This major revision would have raised the rate for standby service. Approval of the proposed revisions was not granted.

88-003-TF Craighead Electric Cooperative Corporation

Craighead proposed a change to its Street and Security Lighting tariff which would allow substitution of lamp types other than mercury vapor, provided that the other type of lamp used furnished equal or greater lumens. Staff opposed the change because pricing a more expensive service at the same cost-based rate for mercury vapor service would result in consumer subsidies. Cooperative withdrew its application.

88-004-TF Oklahoma Gas and Electric Company

OG&E requested approval to replace the existing Power and Light Rider for Time-of-Use Demand with a Power and Light Time-of-Use Rate. The objective of both the rider and the replacement tariff is to encourage OG&E's Arkansas customers to shift their demand from on-peak periods to off-peak periods. Only one customer has taken advantage of the Rider since it has been restricted to customers with a peak demand of 1500 KW or greater, or in some instances would cost the customer more than the standard rate. The new rate option has two time periods, is available regardless of load size, and cannot cost more than the standard rate. The features, cost savings, and at-risk limits of the new tariff should attract an additional 25 customers per year. Staff recommended approval on Feb. 9, 1988. The rider was approved by the Commission on February 12, 1988.

88-011-TF Arkansas Valley Electric Cooperative Corporation

At Staff's request, Arkansas Valley Electric Cooperative Corporation revised its cost of energy adjustment tariff to reflect the monthly net energy cost for its large contract customers. The revised Cost of Energy Adjustment tariff was approved by Order No. 1, issued March 8, 1988.

88-013-TF Arkansas Electric Cooperative Corporation

AECC requested approval for revisions to its economic development tariff, Rate Schedule ED-1. The modified tariff extends the availability of the credits through 1995. The revision also incorporates a change in the value of the credits to be paid after 1990. The goal of this tariff is to stimulate the use of electricity on AECC's system without unduly increasing peak demand. The Staff recommended approval on March 14, 1988. The tariff was approved on March 16, 1988.

88-030-TF Craighead Electric Cooperative Corporation

As a result of Staff Inspection Report E-88-01-I, dated February 12, 1988, Craighead filed special provisions for senior citizens and/or handicapped persons, a standard nominal voltage, and a standard frequency as required by Commission Rules. The revised tariffs, which establish residential budget payments, levelized payment riders, special provisions for senior citizens and/or handicapped persons, a standard nominal voltage, a standard frequency, and a revised index, were approved by Order No. 4, issued August 9, 1988.

88-035-TF Ashley-Chicot Electric Cooperative

In 88-035-TF the Commission granted the request to revise the Recreational Park Service tariff of Ashley-Chicot to remove the restriction to Corps of Engineers parks. The Corps of Engineers no longer manages the park areas which were being served under this schedule. This revision will also allow the application of this rate schedule to single phase service. Previously, the rate had applied to only two- and three-phase service.

88-048-TF Arkansas Valley Electric Cooperative Corp.

AVECC requested approval in this Docket to implement a Load Curtailment Rider available to those customers served by electricity provided through Oklahoma Gas & ELectric. The Rider provided a reduction in billing demand of 75% of the curtailed load for customers with the ability to curtail demand by 300 kilowatts or more. Staff recommended approval on April 25, 1988. The tariff was approved on April 27, 1988.

88-053-TF Arkansas Power and Light Company

AP&L requested approval of this five-year interruptible power agreement with Burlington House Area Rugs for its spinning mill. The agreement was designed to maintain Burlington, which operates three mills in Arkansas, as a customer on AP&L's system, and, at the same time, allow AP&L to avoid costs associated with at least 1,000 kilowatts of interruptible peak load. In addition, Burlington agreed to a minimum firm demand level. The agreement is structured to encourage non-peak electrical usage by Burlington, which benefits all AP&L customers through an improved system load factor. Staff recommended approval on May 6, 1988. The agreement was approved on May 10, 1988.

88-055-TF Mississippi County Electric Cooperative

Approval was requested to revise the schedule of miscellaneous charges for Mississippi County Electric. Staff recommended approval on May 13, 1988. The schedule of miscellaneous charges was approved on May 17, 1988.

88-057-TF Arkansas Power and Light Company

The two-year agreement proposed in this Docket would have combined the billing for Emerson Electric Company's four plants in AP&L's service territory. The proposed agreement stipulated that no fewer than four and no greater than ten accounts would be combined and that there would be a minimum demand for each location as well as a minimum demand for the total of the four locations. The proposed rate was designed to increase production and load factors at Emerson's plants. Staff recommended that the rate be offered to all other qualifying customers as a rate schedule since Emerson's electrical usage characteristics were not unique. AP&L, with the consent of Emerson, withdrew the tariff filing.

88-061-TF Farmers' Electric Cooperative Corp.

Approval to institute an optional irrigation rate for customers with low-usage and low-load factor histories was requested in this docket. The purpose of the new tariff is to make electrically powered pumps competitive with alternatively-fueled pumps. The goal was to reduce loss of load from the Farmers' system. Staff recomended approval on May 27, 1988. The optional tariff was approved June 1, 1988.

88-070-TF Woodruff Electric Cooperative Corp.

An application was filed in 88-070-TF requesting approval to revise the underground electrical service policy and institute a credit for customers who provide their own trenching and backfilling. Staff recommended approval on June 3, 1988. The policy instituting the credit was approved June 9, 1988.

88-072-TF Arkansas Power and Light Company

Docket 88-072-TF addressed an Agreement for Electric Service between AP&L and one customer, Mid-America Packaging, Inc. Mid-America was an existing customer of AP&L which had an alternative to taking its full energy and power requirements from AP&L. The agreement was designed to enable Mid-America to achieve the savings which it would have realized by installing self-generation while keeping the load on the AP&L system which continues to make a contribution to the recovery of AP&L's fixed costs. The contract was approved and will remain in effect until May 1992 with AP&L having an option to participate in the development of cogeneration facilities until 1998.

88-085-TF Arkansas Electric Cooperative Corp.

An application was filed requesting approval to revise AECC's Rate Schedule to exclude the interruptible loads from the billing demand calculation for the summer of 1988. The revision was necessitated by the unpredictable testing demands which were to be placed on the AECC system by the Nucor-Yamato facility at Blytheville. This change eliminated the possibility that a testing operation at Nucor could cause the system peak to be reached at some unusual or unexpected time and thwart the load control measures of the distribution cooperatives. Staff recomended approval on June 27, 1988. Approval granted on June 28, 1988.

88-093-TF Carroll Electric Cooperative Corporation

At the request of the Staff, Carroll Electric revised its General Information for Consumers. The revisions included a change in the telephone number of the Public Service Commission, a correction to the telephone number on its shut-off notice, and an explanation of the net and gross amounts shown on consumer bills. Order No. 1 issued July 28, 1988, approved the revisions.

88-094-TF Arkansas Power and Light Company

Approval for an alternative methodology for billing standby service to cogenerators and self-generators was requested by AP&L in docket No. 88-094-TF. The alternative billing is available if the customer allows AP&L to install meters on the customer's generating equipment. This optional tariff offers eligible customers a potential savings in demand billings by removing the contract demand billing ratchet. Staff recommended approval on July 27, 1988. Commission approval was granted on July 29, 1988.

88-099-TF Southwest Arkansas Electric Cooperative

An application was filed requesting approval for an interruptible service tariff. The tariff applied solely to the Foreman Cement Company, which had previously been served under a firm service tariff. Staff recommended approval on August 8, 1988. Approval was granted on August 11, 1988.

88-100-TF Southwestern Electric Power Company

In Docket No. 88-100-TF, SWEPCO requested approval for revisions to the rate structure for low load factor customers. A stipulation between the Company and the Staff was filed on December 16, 1988. The tariff was approved on December 20, 1988.

88-104-TF Arkansas Electric Cooperative Corporation

In Docket No. 88-104-TF, AECC proposed to place into effect a temporary credit of $2 per kw of billing demand for the months of June through September 1988. This credit had the effect of reducing the amount charged by AECC to the distribution cooperatives from $11.88 to $9.88 per kilowatt of demand. AECC made its request in recognition of the effects the extremely hot, dry weather of the early part of the summer of 1988 would have on demand for electricity by the substantially agricultural customer base of AECC's members. Staff recommended approval of AECC's request on August 2, 1988. Approval was granted on August 5, 1988.

88-111-TF Arkansas Power and Light Company

AP&L requested and was granted a revision to the Cotton Ginning Service Rate Schedule CGS. The declining block rate design approved in that docket changed the threshold between the first and second billing blocks, thus enabling more gins to achieve the lower second block rate. The requested change in this tariff reflects the rate design and rates previously sponsored by AP&L. This design more appropriately encourages electrical usage through raising the threshold between the first and second billing blocks. Based upon the billing determinants used in the last rate proceeding, the change was revenue neutral.

88-114-TF Arkansas Power and Light Company

The second annual revision to tariff rider M38 provides a $61,793,000 reduction of customers billings under AP&L's general tariffs for the period September 1, 1988 - August 31, 1989. This credit represents $32,502,000 for the estimated annual reduction in the Company's income tax expense resulting from the Tax Reform Act of 1986. The remaining $29,291,000 of the rider refunds the portion of AP&L's accumulated deferred income tax balance in excess of the balance required under the reduced corporate federal income tax rates.

88-115-TF Arkansas Power and Light Company

The Commission approved modification of the Arkansas Grand Gulf Settlement (from Docket No. 84-249-U) to bring the Settlement in compliance with the requirements of Statement of Financial Accounting Standards No. 92 (SFAS No. 92). The Amended Settlement approved in this docket meets the ten-year phase-in recovery requirements of SFAS No. 92 by providing for recovery of all deferred costs within ten years from January 1, 1989. All other aspects of the 1985 Settlement are maintained intact. In particular, the portion of costs to be borne by stockholders is maintained at its original level and the "most favored nation" clause remains in effect. Furthermore, there is a provision in this amended Settlement that provides for renegotiation in the event that any subsequent FASB change should increase the flexibility of phase-in plans.

88-119-TF First Electric Cooperative Corporation

As a result of Staff Inspection Report E-88-02-I, dated May 24, 1988, First Electric filed revised Standard Rules and Regulations. The revisions addressed the provision of service to the handicapped and elderly and the estimation of meter readings. Order No. 1 issued December 20, 1988, approved the Cooperative's filing.

88-124-TF Oklahoma Gas and Electric Company

In Docket No. 88-124-TF, OG&E proposed to extend eligibility to participate in OG&E's Average Monthly Payment Plan, a billing option beneficial to residential customers on fixed incomes, to general service customers. The revision was designed to mitigate financial hardships on small businesses whose revenues or billings are subject to seasonal variations. Staff recommended approval on August 18, 1988. Approval was granted on August 24, 1988.

88-147-TF Farmers Electric Cooperative Corporation

In Docket No. 88-147-TF, the Commission approved a new tariff which offers an optional, alternate rate design in order to bill commercial high-load-factor customers more equitably than at the existing commercial rate. Discounts of up to 10% are offered to consumers with monthly load factors in excess of 60%. Staff recommended approval without the requested retroactive provision on October 31, 1988. The company withdrew the retroactive provision on the same day and approval was granted on November 1, 1988.

88-160-TF C & L Electric Cooperative

At the request of Staff, C & L revised its Standard Rules and Regulations regarding payment due dates. The Cooperative's revised tariff, which affects payment due dates, estimated meter readings, and meter accuracy standards, was approved by Order No. 1 issued November 10, 1988.

88-180-TF Ozarks Electric Cooperative Corp.

At the request of Ozarks, the Commission approved a cap on the amount that could be recovered from ratepayers through the Cost of Debt Adjustment. Ozarks has invested borrowed funds at rates which recover the cost of the borrowings and until the funds are actually spent, Ozarks will not collect the monies for the interest costs.

86-190-C Robert Williams vs. First Electric Cooperative Corporation

The Complainant alleged that the amount of kWh billed was in error. Order No. 3 issued January 19, 1988, ruled that the complainant failed to prove that the disputed bill was in error and dismissed the complaint.

87-089-C Robert Moers vs. Ozark Electric Cooperative Corporation

The Complainant claimed a meter reading was in error or that the meter was defective. Order No. 4 issued October 27, 1988, ruled that the complainant could not prove the claims and dismissed the complaint.

87-101-C Nancy Rhone vs. Southwest Electric Power Company

The Complainant contended she was improperly charged for allegedly tampering with the meter. Order No. 3 issued March 24, 1988, ruled that the Company could not provide proof of complainant tampering and the Company was ordered to refund the meter tampering fee.

87-131-C D.& J. Corey vs. North Arkansas Electric Cooperative Corporation

The Complainant disputed the charge of a service connection to their mobile home. Order No. 5 issued November 17, 1987, ordered North Arkansas to provide service to the Complainant within 5 days of the payment of necessary fees by Complainant and required North Arkansas to revise its line extension tariff relating to the extension of service to mobile homes. This docket is pending before the Commission.

87-200-C Nina McIntire vs. C & L Electric Cooperative Corporation

The Complainant could not pay a bill in total or on time. The Company set up payment schedules for Complainant. The Complainant alleged that when she was unable to meet the payment schedule she was forced into making payments and signing agreements. The Complainant and the Company have resolved the complaint. Order No. 5 issued April 15, 1988, dismissed the complaint.

88-001-C Daryl Kellebrew vs. C & L Electric Cooperative Corporation

The Complainant received an abnormally high bill and complained to the Company. The Complainant alleges that the Company did not respond properly. At the request of the Complainant the hearing in this docket was postponed. This docket is pending before the Commission.

88-051-C Lovis Fults for Mrs. Johnnie Cochran vs Craighead Electric Cooperative Corporation

The Complainant rented her residence to a relative. The renter had the Company change the address so that they could receive the bill. The Company did not receive permission from the Complainant to change the address. Subsequently, the renter did not pay a high bill and the Company came to the Complainant for payment. The Complainant disputed responsibility for payment of the bill. The Complainant and the Company later resolved the issue and the Complainant requested dismissal of the complaint. Order No. 2 issued June 30, 1988, dismissed the complaint.

88-078-C Dallas Funnell vs. Arkansas Power & Light Company

The Complainant disputed an abnormally high bill and contended that the Company was not responding properly to the Complainant's requests. This docket is pending before the Commission.

88-112-C Glen & Judie House vs. Southwest Arkansas Electric Cooperative Corporation

The Complainant disputed abnormally high meter readings. The meter was tested and was determined to be within tolerance limits set by the Commission. This docket is pending before the Commission.

88-172-C W. D. Burton vs. Arkansas Power & Light Company

The Complainant disputed meter readings, billings, and claims harassment by the Company. This docket is pending before the Commission.

88-182-C Nevada School District #1 vs. South Central Arkansas Electric Cooperative Corporation

The Complainant consolidated schools within its district and delayed shutoff of electricity to abandoned buildings. The Complainant claims the Company overcharged him for the demand charge for the period between consolidation and the shutoff of power. This docket is pending before the Commission.

87-126-A Arkansas Power & Light Company

AP&L's request to release a customer in its allocated service territory to Petit Jean Electric Cooperative Corporation was granted. Order No. 1 issued January 11, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-040-A Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in South Central Arkansas Electric's allocated service territory was granted. Order No. 1 issued April 5, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-041-A Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in South Central Arkansas Electric's allocated service territory was granted. Order No. 1 issued March 31, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-062-A Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in Ashley-Chicot Electric's allocated service territory was granted. Order No. 1 issued June 8, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-075-A Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in Ashley-Chicot Electric's allocated service territory was granted. Order No. 1 issued June 17, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-108-A Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in North Arkansas Electric Cooperative's allocated service territory was granted. Order No. 2 issued October 5, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-109-A Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in Ashley-Chicot Electric's allocated service territory was granted. Order No. 1 issued August 15, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-122-A   Craighead Electric Cooperative Corp.

Craighead's request to serve a customer in Arkansas Power & Light's allocated service territory was granted. Order No. 1 issued September 23, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-135-A   Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in South Central Arkansas Electric Cooperative, Inc.'s allocated service territory was granted. Order No. 1 issued October 4, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-141-A   Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in Asnley-Chicot Electric's allocated service territory was granted. Order No. 1 issued October 3, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-154-A   First Electric Cooperative Corp.

First Electric's request to serve a customer in Arkansas Power & Light's allocated service territory was granted. Order No. 1 issued November 7, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

88-155-A   Arkansas Valley Electric Cooperative Corp.

Arkansas Valley Electric's request to exchange three areas of territory with Southwestern Electric Power Company was approved by Order No. 1 issued November 8, 1988.

88-162-A   Arkansas Power & Light Company

Arkansas Power & Light's request to serve a customer in South Central Arkansas Electric Cooperative, Inc.'s allocated service territory was approved by Order No. 1 issued December 20, 1988. A customer release was granted and no changes in allocated service territory were authorized.

88-191-A   Arkansas Power & Light Company

Arkansas Power & Light Company's request to serve a customer in South Central Arkansas Electric Cooperative, Inc.'s allocated service territory was granted. Order No. 1 issued December 29, 1988, authorized a customer release only and did not authorize any change in allocated service territory.

SECTION 10. TELECOMMUNICATIONS INDUSTRY SUMMARY

A. Highlights of 1988

The telecommunications industry was presented with a number of significant policy issues during 1988. The issues surfaced before the Federal Communications Commission, the Congress, and the court of U.S. Judge Harold Greene.

The Federal Communications Commission initiated a series of significant dockets which, if adopted, will affect ratepayers nationwide. In CC Docket 87-313, the FCC proposed the adoption of price cap regulation as a replacement for rate of return regulation for interstate services. The Congress is taking a very active interest in this proceeding. In CC Docket 88-2, the FCC is attempting to establish rules for unbundling and separately pricing the major elements of the Bell telephone companies' basic network used for providing enhanced services.

The FCC is also reevaluating the Cable Communications Policy Act of 1984. Under the terms of this Act, local telephone companies are prohibited from providing cable television services within the areas they currently provide telephone service. In addition to these issues, the FCC continued to address separations and accounting issues during 1988 which affect all telecommunications firms.

During the year, the Congress passed H.R. 5. This bill includes provisions prohibiting obscene communications to anyone and was the result of increased abuses associated with Dial-A-Porn. H.R. 5 was signed into law on April 28, 1988, by President Reagan.

There was also movement by Congress late in the year that could impact the Modification of Final Judgement of Judge Harold Greene. House Concurrent Resolution 339 is a bi-partisan effort to remove the prohibition on participation in manufacturing and the provision of information services for the Bell companies.

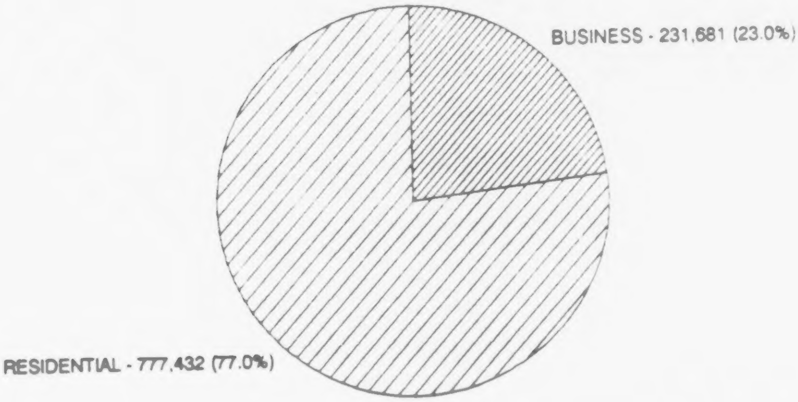
Within the state, the telecommunications industry faced a number of issues in addition to those discussed above. Some of these include the introduction of enhanced services, the state-wide appearance of alternative operator services, the introduction of WATS-like services for customers of many of the state's interexchange carriers, and traditional issues that are associated with rate filings.

B. Access Lines by Class

The pie chart which follows is a graphic representation of the categories of access lines at the end of 1987. Total access lines at December 31, 1987 were 1,009,113. Of that total, 77% were Residential and 23% were Business lines. Residential Access Lines increased from 766,166 at the end of 1986 to 777,432 at the end of 1987. Business lines decreased from 255,165 in 1986 to 231,681 for the same period.

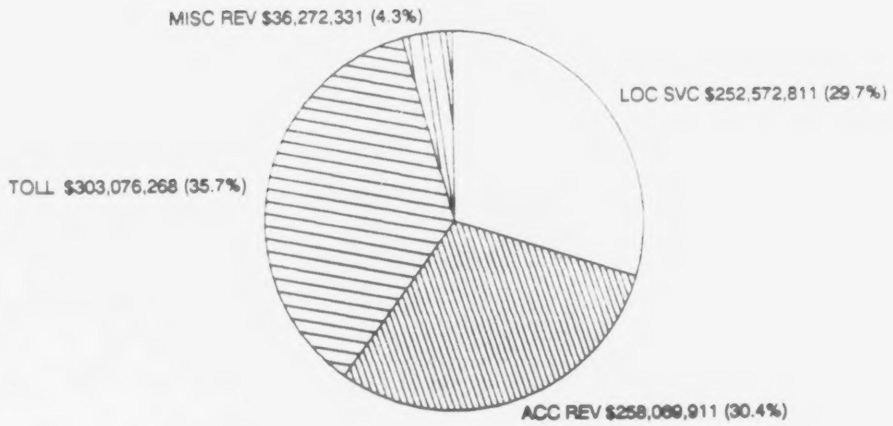
ACCESS LINES - RESIDENTIAL & BUSINESS

DECEMBER 31, 1987



C. Telephone Revenues by Category

The following pie chart depicts the various revenue sources for the local exchange companies and AT&T during 1987. Total telephone industry revenues in Arkansas for 1987 were $849,991,321. Toll revenue made up approximately 36% of that total or $303,076,268. AT&T and Southwestern Bell's share of the toll revenue amounted to 86% of the total with the smaller companies sharing the remainder. Access charges generated revenues of $258,069,911 and were shared by all companies except AT&T. Local service revenue for the year was $252,572,811. The industry also had Miscellaneous Revenues of $36,272,331 in 1988.



TELEPHONE REVENUES

BY CATEGORY FOR 1987

D. Statistical Summaries for Telecommunications Utilities

TELEPHONE COMPANIES-ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1987

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS REV./INVEST.
AT&T COMM. OF THE S.W.$	63,275,048	$165,858,733	262.12%
ALLTEL ARKANSAS INC.	152,725,108	41,734,759	27.33
ARKANSAS TELEPHONE CO	9,935,405	3,012,087	30.32
CADDOAN TELEPHONE CO.	129,895	146,918	113.11
CENTRAL ARK. TEL. COOP.	3,845,795	964,543	25.08
CLEVELAND COUNTY TEL. CO.	2,803,646	1,429,697	50.99
CONTINENTAL TEL. CO. OF ARK.	117,118,537	41,678,257	35.59
CONTINENTAL TEL. CO. OF MO.	1,569,340	671,130	42.77
DECATUR TELEPHONE CO.	1,424,720	577,121	40.51
GEN. TEL. CO. OF THE S.W.	158,477,674	51,883,827	32.74
LAVACA TELEPHONE CO.	1,357,530	594,480	43.79
LIBERTY TEL. & COMMUNICATIONS	26,866,380	8,773,815	32.66
MADISON COUNTY TEL. CO.	4,771,005	1,323,735	27.75
MAGAZINE TEL. CO.	994,892	382,665	38.46
MOUNTAIN HOME TEL. CO.	22,786,443	7,212,340	31.65
MOUNTAIN VIEW TEL. CO.	5,160,329	2,092,767	40.55
NORTHERN ARK. TEL. CO.	6,579,704	2,720,563	41.35
PERCO TELEPHONE CO.	4,381,572	1,646,377	37.58
PRAIRIE GROVE TEL. CO.	9,854,355	3,611,690	36.65
REDFIELD TELEPHONE CO.	3,297,299	1,014,025	30.75
RICE BELT TEL. CO.	1,781,148	645,678	36.25
E. RITTER TELEPHONE CO.	7,205,036	2,330,638	32.35
SOUTH ARKANSAS TEL. CO.	6,270,540	1,668,874	26.61
SOUTHWEST ARK. TEL. COOP.	10,184,484	2,162,199	21.23
SOUTHWESTERN BELL TEL.CO.	1,451,434,450	487,154,995	33.56
TRI-COUNTY TELEPHONE CO.	10,764,477	2,318,915	21.54
UNION TELEPHONE CO., INC.	1,863,917	610,642	32.76
UNITED TELEPHONE CO. OF ARK.	20,678,059	7,759,931	37.53
WALNUT HILL TELEPHONE CO.	12,861,719	4,031,961	31.35
YELCOT TELEPHONE CO.	6,651,329	1,919,436	28.86
YELL COUNTY TELEPHONE CO.	7,878,084	2,058,523	26.13
TOTALS	$2,134,927,920	$849,991,321	39.81%

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES
YEAR ENDED DECEMBER 31, 1987

COMPANY	ACCESS LINES	
AT&T COMMUNICATIONS OF THE S. W.	BUSINESS	NA
	RESIDENTIAL & RURAL	NA
	TOTAL	NA
ALLTEL ARKANSAS, INC.	BUSINESS	12,601
	RESIDENTIAL & RURAL	57,104
	TOTAL	69,705
ARKANSAS TELEPHONE CO.	BUSINESS	930
	RESIDENTIAL & RURAL	4,414
	TOTAL	5,344
CADDOAN TELEPHONE CO.	BUSINESS	30
	RESIDENTIAL & RURAL	245
	TOTAL	275
CENTRAL ARK. TEL. COOP.	BUSINESS	194
	RESIDENTIAL & RURAL	1,818
	TOTAL	2,012
CLEVELAND COUNTY TEL. CO.	BUSINESS	214
	RESIDENTIAL & RURAL	2,055
	TOTAL	2,269
CONTINENTAL TEL. CO. OF ARK.	BUSINESS	12,606
	RESIDENTIAL & RURAL	59,443
	TOTAL	72,049
CONTINENTAL TEL. CO. OF MO.	BUSINESS	146
	RESIDENTIAL & RURAL	797
	TOTAL	943

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES
YEAR ENDED DECEMBER 31, 1987

COMPANY	ACCESS LINES	
DECATUR TELEPHONE CO.	BUSINESS	163
	RESIDENTIAL & RURAL	559
	TOTAL	722
GEN. TEL. CO. OF THE S.W.	BUSINESS	20,355
	RESIDENTIAL & RURAL	56,410
	TOTAL	76,765
LAVACA TELEPHONE CO.	BUSINESS	114
	RESIDENTIAL & RURAL	981
	TOTAL	1,095
LIBERTY TEL. & COMMUNICATIONS	BUSINESS	1,996
	RESIDENTIAL & RURAL	10,931
	TOTAL	12,927
MADISON COUNTY TEL. CO.	BUSINESS	588
	RESIDENTIAL & RURAL	2,043
	TOTAL	2,631
MAGAZINE TEL. CO.	BUSINESS	74
	RESIDENTIAL & RURAL	657
	TOTAL	731
MOUNTAIN HOME TEL. CO.	BUSINESS	2,461
	RESIDENTIAL & RURAL	11,427
	TOTAL	13,888
MOUNTAIN VIEW TEL. CO.	BUSINESS	812
	RESIDENTIAL & RURAL	3,338
	TOTAL	4,150

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES
YEAR ENDED DECEMBER 31, 1987

COMPANY	ACCESS LINES	
NORTHERN ARK. TEL. CO.	BUSINESS	570
	RESIDENTIAL & RURAL	4,099
	TOTAL	4,669
PERCO TELEPHONE CO.	BUSINESS	291
	RESIDENTIAL & RURAL	2,720
	TOTAL	3,011
PRAIRIE GROVE TEL. CO.	BUSINESS	896
	RESIDENTIAL & RURAL	5,187
	TOTAL	6,083
REDFIELD TELEPHONE CO.	BUSINESS	126
	RESIDENTIAL & RURAL	1,155
	TOTAL	1,281
RICE BELT TEL. CO.	BUSINESS	262
	RESIDENTIAL & RURAL	759
	TOTAL	1,021
E. RITTER TELEPHONE CO.	BUSINESS	547
	RESIDENTIAL & RURAL	3,333
	TOTAL	3,880
SOUTH ARKANSAS TEL. CO.	BUSINESS	469
	RESIDENTIAL & RURAL	2,673
	TOTAL	3,142
SOUTHWEST ARK. TEL. COOP.	BUSINESS	304
	RESIDENTIAL & RURAL	3,681
	TOTAL	3,985
SOUTHWESTERN BELL TEL. CO.	BUSINESS	170,446
	RESIDENTIAL & RURAL	515,108
	TOTAL	685,554

TELEPHONE COMPANIES - ARKANSAS ONLY
ACCESS LINES
YEAR ENDED DECEMBER 31, 1987

COMPANY	ACCESS LINES	
TRI-COUNTY TELEPHONE CO.	BUSINESS	419
	RESIDENTIAL & RURAL	4,063
	TOTAL	4,482
UNION TELEPHONE CO., INC.	BUSINESS	88
	RESIDENTIAL & RURAL	511
	TOTAL	599
UNITED TEL. CO. OF ARK.	BUSINESS	2,680
	RESIDENTIAL & RURAL	12,398
	TOTAL	15,078
WALNUT HILL TELEPHONE CO.	BUSINESS	265
	RESIDENTIAL & RURAL	3,959
	TOTAL	4,224
YELCOT TELEPHONE CO.	BUSINESS	452
	RESIDENTIAL & RURAL	2,083
	TOTAL	2,535
YELL COUNTY TELEPHONE CO.	BUSINESS	582
	RESIDENTIAL & RURAL	3,481
	TOTAL	4,063
TOTAL ACCESS LINES IN ARKANSAS		1,009,113

E. Telecommunications Docket Activity Summary
Cases Before The Commission

84-086-U	Compute-A-Call
84-087-U	Aerofone, Inc.
84-114-U	US Sprint
84-151-U	Telamarketing
84-172-U	MCI
84-225-U	Discount Communications Services, Inc.
86-199-U	Satelco

These interexchange carriers amended their tariffs during the year to reflect either a reduction in rates or the introduction of new services for their Arkansas customers.

86-065-U Generic Telecommunications Docket-Cellular Mobile Service

This generic docket was established to determine the appropriate regulation of the providers of cellular mobile telephone service in Arkansas. This docket is open pending the development and approval of the appropriate rules in Docket No. 87-048-R.

In addition, Alltel Cellular Asociates of Arkansas' CCN application is contained in this docket. This Company filed tariffs requesting approval to enlarge its local cellular calling scope. The Commission approved the various tariffs filed by this Company throughout the year.

86-159-U Generic Telecommunications Docket-Access Charges

This docket was established and remains open to address those aspects of intrastate access charges which relate to non-traffic sensitive revenue requirements, the carrier common line pool and the universal service fund.

86-160-U Generic Telecommunications Docket-Access Charges

This docket was established and remains open to address elements of intrastate access charges that are to be maintained at parity with interstate access charges.

86-187-U Cleveland County Telephone Company

This docket remains open so Staff can continue to monitor the progress of Telephone Data Systems (the utility's parent) in rebuilding the Cleveland County Telephone Company system. The results of Staff's quarterly inspections during 1988 were filed in this docket.

87-098-U Central Corporation

This docket was established to evaluate the application of an alternative operator service provider for a certificate of public convenience and necessity. On 4-21-88, the Commission granted the motion of Central to withdraw its application for a certificate of public convenience and necessity. On 9-27-88, the Commission closed the docket.

87-141-U International Telecharge, Inc.

This docket was established to evaluate the application of an alternative operator service provider for a certificate of public convenience and necessity. The application is pending before the Commission.

87-144-U Generic Telecommunications - Link Up Arkansas

This docket was established to implement the Link Up Arkansas program. This program has been adopted by all local telephone companies in the state and is designed to assist households in getting a telephone by reducing connection charges for those who qualify.

87-169-U AT&T

This docket was established to review an application requesting that the Commission grant AT&T express authority to provide Custom Network Services in Arkansas, both interLATA and intraLATA. The Services include Megacom, Megacom 800, and Readyline 800. On 4-1-88 the Commission approved the rates for these services and ordered the parties to develop intraLATA access charges for approval by the Commission.

87-175-U Decatur Telephone Company

On November 18, 1987, Decatur Telephone Company filed an application for a general rate increase. The calculations filed by the Company supported a local service revenue deficiency in the amount of $153,799. The Company, however, requested approval of new rates which would produce an annual revenue increase of only $72,860.

A settlement providing for a rate increase in the amount of $72,860 was approved by Order No. 4 filed on March 15, 1988.

87-188-U MCI Telecommunications Corp.

This docket was established to review the application to sell and lease back utility property in the state. The Commission approved the application on 12-29-87.

87-201-U GTE Southwest Inc.

On December 30, 1987, GTE Southwest Incorporated filed an application for a general rate increase of $5,196,709. The request was subsequently increased to $6,569,382.

A Joint Motion for Approval of a Stipulation and Agreement was filed on August 16, 1988, by GTE Southwest, Inc. and Staff. The Stipulation and Agreement recognized an annualized revenue deficiency of $1,318,000 and provided a mechanism for the Company to recover this deficiency. The Stipulation and Agreement also contained detailed provisions of GTE Southwest, Inc.'s plan to modernize its central offices and included a tracking plan designed to identify the investment and expenses associated with the modernization program.

Order No. 9, filed on September 19, 1988, approved this Stipulation and Agreement and directed the parties to comply fully with the provisions contained therein.

88-002-U Century Cellunet of Texarkana, Inc.

This docket was established to review an application for a certificate of convenience and necessity to operate as a cellular provider in Texarkana. On 1-28-88, the Commission granted the company interim approval to provide service pending the development and approval of the appropriate rules in Docket No. 87-048-R.

88-017-U Fayetteville MSA Limited Partnership

This docket was established to review an application for a certificate of convenience and necessity to operate as the wireline cellular provider in Fayetteville. On 3-9-88, the Commission granted the company interim approval to provide service pending the development and approval of the appropriate rules in Docket No. 87-048-R.

88-018-U Fort Smith MSA Limited Partnership

This docket was established to review an application for a certificate of convenience and necessity to operate as the wireline cellular provider in Fort Smith. On 3-9-88, the Commission granted the company interim approval to provide service pending the development and approval of the appropriate rules in Docket No. 87-048-R.

88-021-U COMTEL Telecommunications, Inc./LDDS of Arkansas, Inc.

This docket was established to review the joint application for approval of the sale of assets and assignment of the certificate of convenience and necessity from Comtel to LDDS. The joint application was approved by the Commission on 4-8-88.

88-024-U American Operator Services, Inc.

This docket was established to evaluate the application of an alternative operator service provider for a certificate of public convenience and necessity. The application is pending before the Commission.

88-031-U Continental Telephone Company of Arkansas

Continental filed a request to increase its composite depreciation rate from 6.2% to 8.5%. The major aspects of the Company's request were Remaining Life vs. Straight Line Whole Life Methodology, and the appropriate service life estimates for digital central office equipment. Staff recommended that the composite depreciation rate be increased to 6.7%. This docket is pending before the Commission.

88-042-U Cleveland County Telephone Company

Cleveland County Telephone Company filed a request to increase its composite depreciation rate from 4.58% to 6.46%, and to amortize a calculated reserve deficiency of $523,202 over a three-year period. A joint stipulation was reached by Staff and the Company agreeing to a composite depreciation rate of 5.69% and a three-year amortization of the reserve deficiency of $595,202.The Company also agreed to a moratorium on filing any notice of intent to increase monthly rates for basic local exchange access lines for residential and business service until January 1, 1990. This docket is pending before the Commission.

88-060-U E. Ritter Telephone Company

This docket was established to review an application for permission to issue common stock. The Commission approved the request on June 21, 1988.

88-063-U Contel of Arkansas, Inc.

This docket was filed seeking approval to create a lien not to exceed $9,000,000 principal of first mortgage series "R" bonds. Commission approval was obtained.

88-066-U Generic Telecommunications Docket-Local Telephone Company Billing Practices

In docket No. 88-066-U, the Commission directed local exchange telephone companies not to bill and collect for intrastate services provided by uncertificated alternative operator service companies. The Commission's order was issued on 9-15-88.

88-067-U McCaw Communications of Fayetteville, Inc.

This docket was established to review an application for a certificate of convenience and necessity to operate as the non-wireline cellular provider in Fayetteville. On 6-13-88, the Commission granted the company interim approval to provide service pending the development and approval of the appropriate rules in Docket No. 87-048-R.

88-084-U BellSouth Corp.

This docket was established to review an application for approval of certain financial transactions. The Commission approved the application on 6-29-88.

88-087-U Microtel, Inc.

This docket was established to review the application to merge, acquire, and take hold of part of the capital stock of Advanced Telecommunications Corporation (ATC), Parent of Satelco, Inc. The Commission approved the application on July 18, 1988.

88-088-U Comtel of Arkansas, Inc./LDDS of Arkansas, Inc.

This docket was established to review a joint application for the sale of assets and assignment of certificate of public convenience and necessity from Comtel of Arkansas, Inc. to LDDS of Arkansas, Inc. Commission approval was obtained and will allow enhanced services to be provided to customers of Comtel of Arkansas.

88-091-U Generic Telecommunications Docket-Access Charges

This docket was established and remains open to develop intraLATA access charges in the state.

88-095-U Texarkana Cellular Partnership

This docket was established to review an application for a certificate of convenience and necessity to operate as the non-wireline cellular provider in the Texarkana. On 9-15-88, the Commission granted the company interim approval to provide service pending the development and approval of the appropriate rules in Docket No. 87-048-R.

88-103-U COM/NAV Marine, Inc.

An application was filed requesting a declaration regarding the Company's status as a public utility subject to the jurisdiction of the Arkansas Public Service Commission. On 10-6-88, the Commission granted the Company a certificate of public convenience and necessity.

88-107-U Arkansas Public Service Commission Staff and ALLTEL Arkansas, Inc.

The Staff and ALLTEL Arkansas, Inc. filed a joint petition before the Commission proposing a significant rate reduction for ALLTEL's Arkansas ratepayers. The petition was initiated by a Staff investigation of ALLTEL's rates in connection with the Tax Reform Act of 1986.

The Commission approved the petition in Order No. 2 issued September 2, 1988. ALLTEL's rates were reduced $1 million annually as a result of changes in the federal income tax rate and other ratemaking adjustments. An additional $178,528 in excess deferred income tax was refunded to ratepayers as a one-time credit to their bills.

In keeping with the Company's efforts to provide rate stability for its customers, ALLTEL committed to postpone until August 1, 1990, any notice of intent to file a general rate increase request. This commitment will provide stability in local service rates for ALLTEL's customers through August 1, 1991.

88-116-U American Network Exchange, Inc.

An application was filed by an alternative operator service provider requesting a certificate of public convenience and necessity. The application is pending before the Commission.

88-129-U Fort Smith Cellular, Inc.

An application was filed August 25, 1988, requesting Commission approval for a proposed acquisition of 51% of the shares of TWR Cellular, Inc. The Company's application was approved November 17, 1988.

88-146-U Southwestern Bell Telephone Company

Southwestern Bell Telephone Company filed a request to complete its five-year phase-in of depreciation rates, based on the remaining life methodology as initially set forth in Docket No. 83-045-U. The composite depreciation rate remains at 5.7% and was based on estimated year-end 1988 balances. Staff recommended that the rates be approved on an interim basis effective January 1, 1989, and that a true-up based on actual year-end 1988 balances be completed by March 31, 1989. This docket is pending before the Commission.

88-159-U Southwest Arkansas Telephone Cooperative

On October 12, 1988, Southwest Arkansas Telephone Cooperative, Inc. filed a Petition for Approval of an Extraordinary Property Loss of $105,027. The Staff filed testimony recommending approval of this request on November 8, 1988. The Commission approved the recommendation and authorized the Extraordinary Property Loss and subsequent ten-year amortization.

88-167-U Prairie Grove Telephone Company

An application was filed requesting authority to issue a $1,000,000 promissory note. Commission approval was obtained.

88-177-U Long Distance Communications, Inc.

An application was filed requesting approval for a certificate of public convenience and necessity and certain financial transactions, or, in the alternative, requesting a declaration that the Company is not subject to Commission jurisdiction. On 12-1-88, the Commission issued an order finding that the company is not a public utility within the jurisdiction of the Commission.

88-178-U Central Corporation

An application was filed by the Staff, the Attorney General's Office, and Central Corporation requesting approval of an agreement providing for a refund of amounts associated with intrastate calls. The calls were billed and collected by certain local exchange telephone companies for uncertificated intrastate services provided by Central Corporation. An order was issued by the Commission on 12-7-88 approving the agreement and directing the Staff to determine the appropriate method for securing the refunds.

88-188-U Little Rock Telecom, Inc./LDDS of Arkansas, Inc.

This docket was established to review an application for Commission approval of certain financial transactions. The docket is open pending an evaluation of the transactions by the Staff.

88-196-U Liberty Telephone Company and Liberty Telephone and Communications, Inc.

Liberty Telephone Company and Liberty Telephone and Communications, Inc. filed a request which would result in an increase in their composite depreciation rate from 4.31% to 6.08%. This docket is pending before the Commission.

86-211-R

This docket was established to adopt revisions to the Uniform Systems (USOA) of Accounts. The revisions reflect the FCC's recission of Parts 31 and 33 and its adoption of Part 32 effective January 1, 1988. As a result of the adoption of Part 32, the Commission's annual report forms were revised to conform to the new Part 32 system of accounts.

86-248-R

This docket was established to revise the minimum filing requirements contained in Section 9 of the Commissions Rules of Practice and Procedure. Staff is in the process of evaluating and developing new minimum filing requirements for telephone companies.

87-048-R Generic Telecommunications Docket-Rules for Providers of Competitive Telecommunications Carriers

This docket was established to develop rules applicable to competitive telecommunications carriers who offer intrastate telecommunications service and operate under the jurisdiction of the Public Service Commission.

88-020-TF Continental Telephone Company of Arkansas

CONTEL filed this tariff to request a revised boundary for the Greenwood base rate area. This change was approved and resulted in the Greenwood base rate area being expanded to mimic the Greenwood exchange boundary. Mileage charges were also eliminated for the Greenwood exchange. Staff filed testimony recommending approval of the tariffs on March 16, 1988. On March 17, 1988, an order was issued approving the filing.

88-029-TF AT&T Communications

AT&T requested and was granted a reduction in its rates for outward WATS, 800 service, and message toll service to reflect the reductions in access charges it pays to local exchange companies. Staff filed testimony recommending approval of the tariffs on March 22, 1988. On March 25, 1988, an order was issued approving the filing.

88-047-TF Central Arkansas Telephone Cooperative

As a result of the installation of digital switching equipment, the company asked to provide custom calling services such as call waiting, call forwarding, three-way calling, and speed calling to its customers on an optional basis. Staff filed testimony recommending approval of the tariffs on April 8, 1988. On April 27, 1988, an order was issued approving the filing.

88-056-TF Southwestern Bell Telephone Company

SWB revised its Private Line Service Tariff to establish that the network interface can be located at the customer's premises. This change will eliminate the network termination wire charge for private line and MegaLink customers. Staff filed testimony recommending approval of the tariffs on May 11, 1988. On May 16, 1988, an order was issued approving the filing.

88-059-TF GTE Southwest, Inc.

In this filing, GTE-SW revised the method used to apply Aid to Construction charges. These changes resulted in cost savings to customers. Staff filed testimony recommending approval of the tariffs on May 10, 1988. On May 11, 1988, an order was issued approving the filing.

88-077-TF Mountain Home Telephone Company

In 88-077-TF the Commission approved changes in the Company's tariffs which removed mileage charges for new subscribers in its Lakeview exchange and created one-party service for new customers. In this filing, the Company requested changes to its tariffs which grandfathered the rates for existing customers in the Lakeview exchange and made available for new customers only one-party service with the elimination of mileage charges for these customers. Staff recommended approval of these changes and an order approving the changes was issued by the Commission on June 30, 1988.

88-096-TF Mountain View Telephone Company

In this filing, the company requested the elimination of mileage charges and multi-party grades of service in its service area. The elimination of mileage charges resulted in a revenue reduction of approximately $70,000 to the company which was offset by the company wide provision of single party service. Staff found the filing to be reasonable, however, recommended suspension of filing pending the Company's public notification of changes to its customers. A public hearing was held on October 5, 1988. On October 7, 1988, an order was issued approving the tariffs filed.

88-101-TF Prairie Grove Telephone Company
88-131-TF Arkansas Telephone Company

Prairie Grove and Arkansas Telephone requested approval to introduce enhanced Centrex-type services to single-party customers with two or more access lines. Staff filed testimony recommending approval of these filings. On August 11, 1988, an order was issued approving the filing of Prairie Grove Telephone Company. The requested tariffs of Arkansas Telephone Company were approved on September 27, 1988.

88-113-TF Continental Telephone Company of Arkansas

CONTEL requested approval to expand the base rate area for the Clarksville exchange. This extension of the base rate area resulted in an upgrade to single-party service for multi-party customers in the Clarksville exchange. Staff filed testimony recommending approval of the tariffs onAugust 19, 1988. On August 19, 1988, an order was issued approving the filing.

88-148-TF Liberty Telephone & Communications
88-150-TF Liberty Telephone Company

These companies requested and were grated approval to provide toll restriction service to their customers. In addition, the companies were allowed to reduce their charges for two or more custom calling features provided over the same line. Staff filed testimony recommending approval of these tariffs on October 10, 1988. On October 20, 1988, an order was issued approving the filings.

88-149-TF Mountain Home Telephone Company
88-151-TF Redfield Telephone Company

The companies, in this filing, requested approval to provide toll restriction service to their customers. Staff filed testimony recommending approval of the tariffs on October 10, 1988. On October 18, 1988, an order was issued approving the filings.

88-152-TF Alltel

In this filing, Alltel requested to merge its Tuckerman and Swifton exchanges into one exchange, in accordance with a stipulation approved in Docket 88-107-U. The Staff determined that there existed a community of interest between these exchanges. The Commission approved the tariff on October 25, 1988.

88-164-TF, 87-195-TF, 88-019-TF, 88-052-TF, and 88-074-TF

The revisions contained in these filings make possible the provision of 911 Emergency Service to customers served by Redfield Telephone Company, Southwestern Bell, Prairie Grove Telephone Company, Perco Telephone Company, and Alltel, respectively. During 1988, the Commission approved these filings introducing 911 emergency service.

88-165-TF Continental Telephone Company of Arkansas

CONTEL filed a request in this docket for approval to introduce a Centrex-type service to its business customers. Staff recommended approval on November 15, 1988. An order was issued on November 16, 1988 approving the filing.

88-171-TF GTE Southwest, Inc.
88-185-TF GTE Southwest, Inc.

The approval of these tariffs added Stuttgart and Cabot, respectively, to the Arkansas exchanges receiving service from electronic digital central offices.

87-179-C Wayne Hall vs. Southwestern Bell Telephone Company

The Complainant claimed that the Company charged him for 900 number long distance service that he did not use. Order No. 2 issued April 27, 1988 dismissed the complaint as a result of the Company and Complainant settling the complaint. The Company reimbursed the Complainant.

88-079-C Kenneth Mannon vs. ALLTEL Telephone Company

The Complainant claimed he had service problems and that the Company was not responsive to his requests that the problems be corrected. The Company and the Complainant resolved the problem and the complaint was dismissed by Order No. 4 issued October 24, 1988.

88-080-C D. M. Ryan vs. Southwestern Bell Telephone Company

The Complainant alleged a wrongful termination. The Company and Complainant settled the dispute and service was restored. Order No. 3 issued August 22, 1988, dismissed the complaint.

88-126-C Kathy A. Ward vs. Southwestern Bell Telephone Company

The Complainant disputed the Company's termination of service because she was unable to agree to the terms of the Company's delayed payment agreement. Order No. 4 issued November 8, 1988, dismissed the complaint after the complainant failed to appear for the hearing.

88-130-C John & Cathy Hobbs vs. Southwestern Bell Telephone Company

The Complainants were refused access to the telephone network due to delinquent payments for past service. Southwestern Bell was ordered to provide temporary party-line service to the Complainants due to a medical emergency. The Complainants dispute owing delinquent payments. This docket is pending before the Commission.

88-145-C Garlin Townsend & Joanne Gentile vs. Southwestern Bell Telephone Company

The Complainants stated they were refused telephone service because of a delinquent bill owed by a brother. The dispute was resolved and service was provided. Order No. 2 issued October 31, 1988, dismissed the complaint.

87-172-A Continental Telephone Company of Arkansas

Continental's request to revise its Greenwood, Hackett, Ozark, and Altus Exchange Area Boundaries was approved by Order No. 1 issued January 19, 1988.

87-194-A ALLTEL Arkansas, Inc

ALLTEL's application requesting to release a portion of its Pangburn Exchange to Continental Telephone Company and to amend both ALLTEL's and Continental's CCN's was approved in Order No. 1 issued January 12, 1988.

88-039-A Southwestern Bell Telephone Company

Southwestern Bell's request to revise it's Bentonville exchange to include a portion of Continental's allocated territory was approved in Order No. 1, issued April 22, 1988. Southwestern Bell and Continental were directed to file revised tariffs and appropriate maps and legal descriptions depicting the changes as approved.

88-058-A ALLTEL Arkansas, Inc.

ALLTEL's request to serve a portion of Northern Arkansas Telephone's Pyatt exchange was approved by Order No. 1, issued June 3, 1988.

88-064-A Southwestern Bell Telephone Company

Southwestern Bell's request to serve a portion of Central Arkansas Telephone's Bismarck exchange was granted by Order No. 1, issued June 8, 1988. The CCN's of both Central Arkansas Telephone and Southwestern Bell were amended to reflect the new service area boundaries.

88-117-A Southwestern Bell Telephone Company

Southwestern Bell filed a request to release a portion of its Van Buren exchange to Continental Telephone Company of Arkansas. Seventeen residents and property owners in the subject area opposed the request and were granted intervenor status in the docket. Southwestern Bell's request is pending before the Commission.

88-140-A Southwestern Bell Telephone Company

Southwestern Bell filed a request to revise its Fayetteville exchange area boundary at three points to include portions of Prairie Grove Telephone Company's Prairie Grove and Farmington exchanges. The Company's request was approved in Order No. 1, issued October 14, 1988.

F. Telecommunications Docket Activity Summary
Cases on Appeal

APSC Docket 82-037-U

Southwestern Bell Telephone Company
v.
Arkansas Public Service Commission

6th Circuit Court Case No. 83-649

The last order filed in docket 82-037-U was issued by the Commission on 2-24-83. Certain tax issues are currently before the circuit court of Pulaski County awaiting a decision.

APSC Docket 85-127-U

General Telephone of the Southwest
v.
Arkansas Public Service Commission

Arkansas Court of Appeals No. CA 86-212 23 Ark. App. 73(1988)

General Telephone Company of the Southwest (GTESW) appealed the decision of the Arkansas Public Service Commission regarding: the application of the modified balance sheet approach to determine cash working capital allowance, return on equity, intraLATA toll pool rate of return, the Commission's refusal to extend the final order deadline, accounting adjustments for cost saving projects, and the party status of the Commission Staff to petition for rehearing before the Commission. The total dollar value of the issues appealed were $6,410,615. The Arkansas Court of Appeals affirmed the decision of the Commission on all issues. The decision of the Arkansas Court of Appeals was affirmed by the Arkansas Supreme Court in General Telephone Company of the Southwest v. Arkansas Public Service Commission, Arkansas Supreme Court Case No. 87-27, 295 Ark. 595(1988).

APSC Docket 85-127-U

General Telephone Company of the Southwest
v.
Arkansas Public Service Commission

Arkansas Court of Appeals Case No. CA 87-70

This case involved an appeal from the decision of the Commission on rehearing. The case was consolidated with Arkansas Court of Appeals Case No. CA 86-212 and decided as described above.

APSC Docket 84-165-U

Arkansas Court of Appeals (see 18 Ark. App. 260 (1986))

Southwestern Bell Telephone Company
v.
Arkansas Public Service Commission

Arkansas Supreme Court Case No. 87-1429

This case involved an appeal from the decision of the Arkansas Court of Appeals (see 18 Ark.App. 260 (1986)), regarding the Commission's disallowance of certain wage and associated expenses. Southwestern Bell asserted that the Commission was pre-empted from disallowing any wages paid pursuant to a collective bargaining agreement by the National Labor Relations Act. The dollar value was $2,596,986 in wage expenses per annum and $256,542 in fringe benefits and payroll taxes per annum. The Arkansas Supreme Court denied Southwestern Bell's Petition for Certiorari.

APSC Docket 84-165-U

Southwestern Bell Telephone Company
v.
Arkansas Public Service Commission

Supreme Court of the State of Arkansas No. 87-1429

The Commission ruled that Southwestern Bell's rates should not recover more than 110% of the average wages and salaries for telephone companies surveyed in Arkansas and four contiguous states. On appeal, the Commission successfully defended this determination against arguments that such adjustments were preempted by the National Labor Relations Act under the Supremacy Clause of the U.S. Constitution. The same arguments were raised in a collateral attack on the Commission's jurisdiction in federal court. An adverse decision by the U.S. District Court for the Eastern District of Arkansas was reversed in the Commission's favor by the Eighth Circuit Court of Appeals, and the U.S. Supreme Court denied certiorari. Therefore, the Commission succeeded in preserving approximately $3 million in savings to telephone ratepayers.

APSC Docket 84-165-U

Southwestern Bell Telephone Company
v.
Arkansas Public Service Commission

Arkansas Court of Appeals Case No. CA 86-22

On December 17, 1986, the Arkansas Court of Appeals issued a decision in Case No. CA 86-22 which reversed and remanded the Arkansas Public Service Commission (Commission) and its Administrative Law Judge's (ALJ) Order Nos. 29, 30 and 32 in Commission Docket No.

84-165-U because "consistent" treatment had not been given to the Investment Tax Credits (ITC's) and Accumulated Deferred Income Taxes (ADIT) of Southwestern Bell Telephone Company (SWB). On remand, the Commission and its ALJ issued Order Nos. 36 and 37 which adopted a methodology for calculating SWB's rate of return, previously advocated by the Commission Staff, which further decreased SWB's annual revenues by $736,000 rather than increasing annual revenues by $2,650,000 as SWB and the Office of the Attorney General had advocated. The treatment of the ITC's and ADIT and the amounts involved were elements of the calculations. SWB again appealed to the Arkansas Court of Appeals in CA87-202 seeking a reversal of Order Nos. 36 and 37. On June 1, 1988, the Arkansas Court of Appeals issued an Opinion which affirmed the Commission's Order Nos. 36 and 37. On June 13, 1988, SWB filed a Petition for Review in the Supreme Court of Arkansas seeking a review of and reversal of the Arkansas Court of Appeals Opinion in CA87-202. On June 27, 1988, the Arkansas Supreme Court, in Case No. 88-137, denied the Petition for Review.

SECTION 11. WATER INDUSTRY SUMMARY

A. Highlights of 1988

Water issues highlighting 1988 included the effects of a law which changed the jurisdictional responsibilities of the Commission over water and sewer companies in Arkansas, the sale of a jurisdictional water company, and problems of water quality for Arkansas consumers.

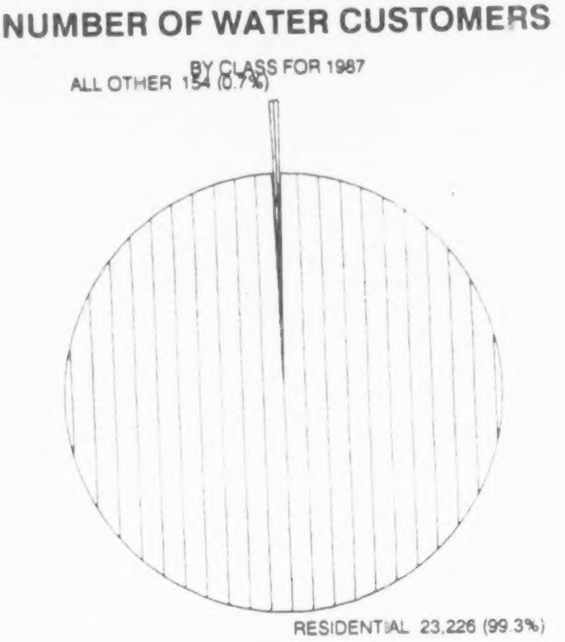
The 76th General Assembly passed Act 21 of the Fourth Extraordinary Session of 1978, which redefined the jurisdiction of the Commission over water and sewer companies in Arkansas. The Staff was charged with determining the impact of the law on Arkansas water and sewer consumers. Under the Act, the Commission's jurisdiction could be expanded to include two water systems and one sewer system not currently under the Commission's purview.

Also in 1988, Staff was asked to evaluate whether the placing of Quapaw Water under the control of its customers was in the public interest. The change in jurisdictional responsibility was to be accomplished first by a sale of Quapaw Water to the Arkansas Soil and Water Conservation Commission (ASWCC). Then, upon completion of the sale, ASWCC would enter into a lease-purchase agreement with the Development Public Facilities Board of Sharp County to lease the assets of Quapaw. Staff advised the Commission that the transfer of ownership was in the public interst.

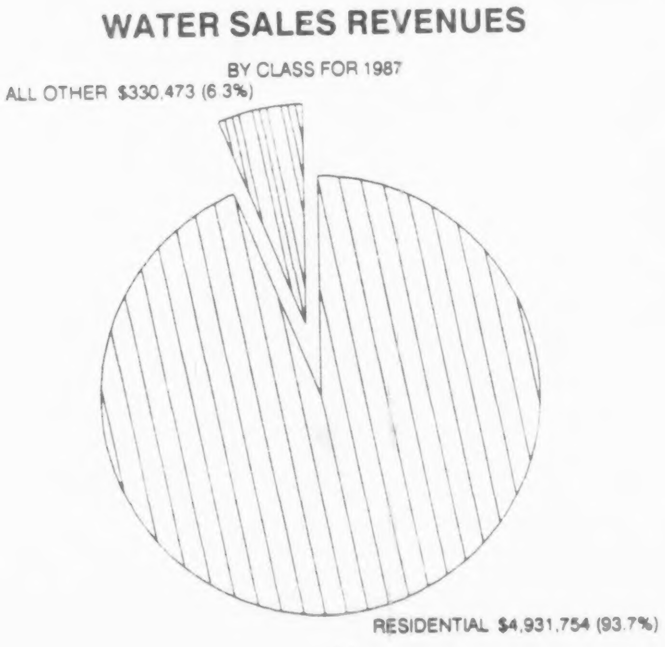
Due to customer complaints concerning the quality of water provided by jurisdictional water companies, Staff was actively involved in the investigation and determination of water quality in Arkansas during 1988. The involvement included Staff's participation in formal complaint proceedings and extensive testing precipitated by those proceedings.

B. Water Customers and Sales Revenues by Class

The following graphs show (1) the percentage of residential customers of jurisdictional water companies in relation to the percentage of non-residential customers and (2) the corresponding percentage of residential sales revenues to all non-residential sales revenues. As can be seen in comparing the two graphs, while residential customers account for over 99% of all customers, sales to those customers only represent approximately 94% of all sales revenues.


NUMBER OF WATER CUSTOMERS

BY CLASS FOR 1987


WATER SALES REVENUES

BY CLASS FOR 1987

C. Statistical Summaries for Water Utilities

WATER COMPANIES - ARKANSAS ONLY
PLANT INVESTMENT; OPERATING REVENUES
YEAR ENDED DECEMBER 31, 1987

COMPANY	PLANT INVESTMENT	OPERATING REVENUES	RATIO (%) GROSS REV./ INVEST.
GENERAL WATERWORKS OF PINE BLUFF, INC.	$15,315,236	$4,253,637	27.77%
QUAPAW WATER COMPANY	6,612,[illegible]4	733,453	11.09%
SHUMAKER PUB. SERV.WATER	629,323	293,878	46.70%
TOTALS	$22,556,713	$5,280,968	23.41%

WATER COMPANIES - ARKANSAS ONLY
CUSTOMERS; REVENUES; OTHER STATISTICS
YEAR ENDED DECEMBER 31, 1987

	NO. OF CUSTOMERS	REVENUES	AVERAGE REVENUE PER CUSTOMER
GENERAL WATERWORKS CORPORATION OF PINE BLUFF			
METERED GENERAL	20,013	$4,198,350	$210
FLAT RATE GENERAL	0	$0	$0
OTHER	118	$53,904	$457
TOTALS	20,131	$4,252,254	$211
QUAPAW WATER COMPANY			
METERED GENERAL	2,713	$546,058	$201
FLAT RATE GENERAL	0	$0	$0
OTHER	9	$170,630	$18,959
TOTALS	2,722	$716,688	$263
SHUMAKER PUBLIC SERVICE CORPORATION			
METERED GENERAL	500	$187,346	$375
FLAT RATE GENERAL	0	$0	$0
OTHER	27	$105,939	$3,924
TOTALS	527	$293,285	$557
TOTALS	23,380	$5,262,227	$225

D. Water Docket Activity Summary - Cases Before the Commission

88-144-U Quapaw Water Company

Quapaw Water Company and the Arkansas Soil and Water Commission (ASWCC) jointly filed for approval of the sale of all physical assets owned by Quapaw to ASWCC. Upon approval of the sale, in Order No. 1, dated October 4, 1988, ASWCC entered into a lease-purchase agreement with the Development Public Facilities Board of Sharp County, Arkansas. The Board sub-leased Quapaw's assets to the Cherokee Village Water Association, the actual operator of the water system. As a result of these transactions, Quapaw is no longer subject to the Commission's jurisdiction.

87-138-C C. D. Tubbs vs. General Waterworks of Pine Bluff

This Docket was established to address customer complaints concerning water discoloration problems. As a result of the complaints, the Company was ordered to take steps to correct its water coloration problems. The Company was also ordered to provide a report outlining the procedures established to correct the problems and the outcome of such procedures. The Docket remains open to monitor the results of the corrective measures.

88-065-C Kathy Buchanan vs. General Water Works of Pine Bluff

The Complainant contended that she had been unable to obtain water on numerous occasions and believed this was the fault of the Company. The Company responded that service was terminated due to late payment. The Complainant requested dismissal of the complaint. Order No. 5, issued December 5, 1988, dismissed complaint.

88-163-C Deborah Williams vs. General Waterworks of Pine Bluff

The Complainant contends that the Company wrongfully terminated service. This docket is pending before the Commission.

E. Water Docket Activity Summary - Cases on Appeal

APSC Docket 86-010-U

General Waterworks of Pine Bluff
v
Arkansas Public Service Commission

Arkansas Court of Appeals Case No. CA 87-52
Arkansas Supreme Court Case No. 88-159

This was an appeal of a general rate case. The primary issue of the appeal was the validity of the modified balance sheet approach proposed by Staff. General Waterworks of Pine Bluff appealed the case to the Court of Appeals which affirmed the Commission's decision. Upon petition to the Supreme Court under a Writ of Certiorari, the Supreme Court denied the Writ, thus affirming both the Court of Appeals and the Commission's decision.

SECTION 12. SUMMARY OF GENERIC DOCKET ACTIVITY BEFORE THE COMMISSION

RESULTS OF STAFF'S INVESTIGATION OF UTILITIES' EARNINGS

The Tax Reform Docket (86-253-U) was completed in 1988. The results of the investigations initiated in this docket are portrayed in the table below.

	Base Rate Reduction	EDIT[1] Refund	Annual[2] Reduction
Alltel Telephone Company	$ 1,000,000	$178,528	$1,178,000
Arkansas Intra-Lata Toll Pool	17,304,992[3]	0	17,304,992
Arkansas Lousisana Gas Company	N/A[4]	6,600,000	3,300,000
Arkansas Power & Light Company	32,502,000	93,282,000	61,793,000
Arkansas Western Gas Company	0[4]	1,650,000	825,000
Empire District Electric Co	265,329	0[5]	265,329
Oklahoma Gas & Electric Co.	5,300,000	1,488,000	6,223,000
Southwestern Bell Telephone Co.	16,300,000	1,568,000	18,868,000
Southwestern Electric Power Co.	4,600,000	9,054,767	9,127,384
United Telephone Company	225,000	0[5]	225,000
Total	$77,497,321	$113,821,295	$119,109,705

(1) Amount of Excess Deferred Income Taxes (EDIT) refunded to customers. Refunds accomplished over two year period (AP&L over three year period). Alltel Telephone Company and Southwestern Bell Telephone Company refunded their EDIT as a one time credit.

(2) The reduction customers received on an annual basis as a result of the Tax Reform Docket, No. 86-253-U.

(3) Reflects the reduction in rates for all the Local Exchange Telephone Companies.

(4) Arkansas Lousisana Gas Company's tax reduction was considered in its rate case, Docket No. 87-070-U. Arkansas Western Gas Company - no reduction necessary.

(5) These companies had no EDIT subject to refund.

87-159-U

On October 15, 1987, the Staff initiated this docket seeking a Commission ruling on procedures under Act 821 of 1987. Under Act 821 of 1987, distribution electric cooperatives (co-ops) were exempted from customary rate case procedures unless a cooperative elects to be subject to those procedures or unless other criteria apply. On July 20, 1988, an ALJ entered an order declaring that cooperatives electing to continue to be subject to Commission rate procedures could utilize Docket No. U-2811 procedures for wholesale rate changes and that cooperatives electing to use Act 821 procedures would be required to follow a different set of procedures as outlined in the Order. On August 15, 1988, the Commission affirmed the ALJ's Order with one modification relating to the notice requirement.

88-128-U

On August 25, 1988, Redfield Telephone Company, Mountain Home Telephone Company, Liberty Telephone Company, Liberty Telephone and Communications Company, Inc., and Union Telephone Company filed a Joint Petition seeking a waiver from Commission General Service Rule 8(G), which sets forth the form and content of termination notices. The companies request was filed pursuant to Commission General Service Rule 1(C). The companies contended that a hardship was created because the service corporation providing billing services to the aforementioned companies did not have the computer capability to print termination notices in the form required by Rule 8(G). On November 28, 1988, the Commission granted the requested waiver.

88-181-U

The Commission approved 7.50% as the appropriate interest rate to be paid on all customer deposits during 1989.

86-211-R

On November 10, 1988, the Commission amended its Annual Reports entitled "FCC Form M Supplement Annual Report" and "Independent Telephone Company Annual Report". All jurisdictional rate-based regulated telephone public utilities are required to file a report in conformance with the adoption of Part 32 of the FCC's Uniform System of Accounts.

86-248-R

This docket was opened in 1986 for the purpose of proposing significant changes in the minimum filing requirements for utilities. Comments and testimony were filed and a hearing was held. This docket is now pending before the Commission.

87-048-R

In 1987, this docket was opened to address proposed rules for competitive telecommunications carriers. Comments and testimony have been filed. Staff is currently revising the proposed rules in response to the comments which were filed. A hearing is anticipated in 1989.

88-005-R

On July 14, 1988, the Commission approved amendments to the Arkansas Gas Pipeline Code which bring it into conformity with new Federal Department of Transportation regulations.

87-111-TD

On July 10, 1987, Arkansas Electric Cooperative Corporation petitioned the Commission for review of the Tax Division's assessment of AECC for 1987. Following a hearing and the submission of briefs, on February 14, 1988, the ALJ issued an order affirming the assessment of the Tax Division. On March 9, 1988, AECC filed objections to the ALJ's order; on March 21, 1988, Staff filed its response to objections. On May 17, 1988, the Commission issued an order granting reconsideration. This docket remains open pending a further Commission order concerning reconsideration.

88-097-TD

U.S. Sprint Communications Company requested a hearing to review its 1988 assessed value of property in the State. On August 15, 1988, the Commission dismissed and closed this docket upon Motion of the Staff with the consent of U.S. Sprint.

88-139-TD

On September 12, 1988, the Arkansas City School District, et al., filed a complaint against the Desha County Equalization Board, et al., alleging that Potlatch Corporation was not properly reporting the value of its personal property within the Arkansas City School District. The complaint further alleged that an unconstitutional and improper formula was being applied to determine the assessed value of Potlatch's personal property. The Petitioners sought relief from the Commission, in its capacity as the State Board of Equalization. Subsequently, Potlatch was granted intervenor status and party status was granted to the Assessment Coordination Division of the Commission. After a preliminary hearing and the submission of briefs, the Commission dismissed the Petition on October 19, 1988, for the reason that the same cause of action involving the same facts and same parties was pending before the Desha County Court, and Petitioners, therefore, had an adequate remedy pursuant to A.C.A. 26-27-301 et seq.

SECTION 13. SUMMARY OF ACTIVITY BEFORE FEDERAL REGULATORY AGENCIES

A. Federal Energy Regulatory Commission Dockets

-ELECTRIC-

FERC DOCKET NO. EL86-58-001

The Arkansas Public Service Commission intervened in this docket in order to address System Energy Resources Inc.'s "equity reopener" in its formula rates. The APSC, as well as other intervenors, supported the concept of an "equity reopener". This would allow for streamlined regulatory procedures to "reopen" the issue of SERI's return on equity and additionally, the effective date of any rate reduction would occur soon after the issue is "reopened". FERC approved this procedure in April, 1988.

FERC DOCKET NO. FA86-19-002

The Arkansas Public Service Commission is an intervenor and has sponsored a Staff witness to address the correct application of accounting and intercompany tax allocation procedures. This docket could result in substantial reductions in the present calculation of the Grand Gulf I rate base and a resulting retroactive and prospective lowering of allocated costs. The potential reductions involved could produce retroactive rate reductions of approximately 200 million dollars for the MSU operating companies with an ultimate flow through to the retail customers of each individual company based on their own power allocation. The Staff witness has given deposition and entered verbal and written testimony on the record of the proceedings at FERC in Washington. The Staff legal counsel has and will file briefs on the disputed issues.

FERC DOCKET NO. FA85-65-001 & FA85-58-002

The Arkansas Public Service Commission intervened in these cases, which address accounting issues resulting from the FERC audit of Middle South Utilities, Inc. The APSC Staff is analyzing and monitoring the activity in order to assess the potential impact on Arkansas.

FERC DOCKET NO. RM88-4-OOO

The Arkansas Public Service Commission filed comments with the Federal Energy Regulatory Commission concerning proposed regulations governing Independent Power Producers (IPPs). This rulemaking, together with proposed regulations governing avoided cost determination and competitive bidding, establishes FERC's "Electric Policy Initiative", which proposes far-reaching changes in the electric industry.

FERC DOCKET NO. RM88-5-000

The Arkansas Public Service Commission filed comments with the Federal Energy Regulatory Commission concerning proposed regulations governing Competitive Bidding Programs. The purpose of the competitive bidding proposal was to adopt regulations which would authorize state regulatory authorities to implement bidding purchases from qualifying facilities (QFs) under Section 210 of the Public Utility Regulatory Policies Act of 1978. To accomplish this goal, FERC proposed to amend its current regulations to establish conditions and to provide specific guidance to regulatory authorities on the use of bidding programs to set avoided costs.

FERC DOCKET NO. RM88-6-OOO

The Arkansas Public Service Commission filed comments with the Federal Energy Regulatory Commission concerning proposed regulations governing the administrative determination of full avoided costs, rates for sales to qualifying facilities, and interconnection facilities. The purpose of the revisions to the Public Utility Regulatory Policies Act (PURPA) was to address problems and inconsistencies regarding the implementation of PURPA guidelines by state regulatory authorities. The main areas of concern included State implementation and determination of avoided cost and fixed rate contracts, the appropriate level of avoided cost, the determination of avoided cost rates for multistate utilities, the rates for back-up, supplemental, maintenance and interruptible power, and QF interconnection with the utility's transmission system.

FERC DOCKET NO. RM88-17-000

The Arkansas Public Service Commission filed comments with the Federal Energy Regulatory Commission concerning proposed regulations governing the Public Utility Regulatory Policies Act of 1978 (PURPA). The proposed regulations, the fourth rulemaking proposed by FERC this year relating to its electric policy initiative, primarily addressed technical and procedural changes to PURPA. The rulemaking proposed to amend and clarify PURPA regulations in order to reflect FERC's experience with the qualifying facility (QF) program and its obligation to review policies that encourage cogeneration and small power production, energy conservation, efficient use of facilities and resources by electric utilities and equitable rates for consumers.

FERC DOCKET NO. RM88-22-000

The Arkansas Public Service Commission (APSC) filed comments at FERC regarding the proper accounting for phase-in plans. The APSC stated its opposition to the strict ten-year rule in Financial Accounting Standards No. 92 (SFAS 92) by noting that it was arbitrary, unwarranted, and will encroach on the ratemaking authority of the APSC. In particular, the APSC noted the ramifications SFAS 92 will have on the Arkansas Grand Gulf Settlement.

FERC DOCKET NO. ER88-313-000

The Arkansas Public Service Commission intervened in this case and continues to monitor the development of issues associated with the allocation of refunds of transportation charges. The charges relate to coal shipments made by Burlington Northern and Missouri Pacific Railroads from Wyoming to AP&L's White Bluff and Independence Coal Plants.

-GAS-

FERC DOCKET NO. GP88-10-000
The State of Connecticut, et al v.
ANR Pipeline Company, et al

Docket No. GP88-10-000 involves a complaint filed before the FERC by various states or state agencies against thirteen interstate natural gas pipelines. The complainants allege that certain of Respondents' gas purchase contracts are unjust and unreasonable within the meaning of Section 5 of the Natural Gas Act. Complainants also state that the FERC is required to take action when a violation of Section 5 is found and must specify just and reasonable terms for the contracts. Further, Complainants state that because FERC erred in not taking action as part of the Order No. 436 process, relief must be effective from November 1, 1985.

The APSC has intervened in this case, which is pending at the FERC.

FERC DOCKET NO. RP88-45-000
Arkansas Energy Resources (AER).

The Arkansas Public Service Commission intervened and continues to actively participate in the AER NGA Section 4 rate filing at FERC, which reflected a deficiency of $79.6 million. AER requested a total cost of service in the amount of $438 million, with return on equity at 15% and an overall return of 11.67%. The major issues were rate of return, refunctionalization of gathering plant to transmission plant, and inclusion of actual and estimated contract reformation costs in the cost of service (take-or-pay). Rate design and cost allocation issues included (a) storage cost allocation methodology and rate design, (b) use of one-part (peak) allocation and rate design methodology versus use of two-part (peak and annual entitlements) allocation and rate design methodology, (c) level of test year billing determinants (three-day peak and annual throughput), (d) proper recognition of discounted services in cost of service, and (e) use of 100% load factor in interruptible service rate design. The case is currently pending before FERC.

FERC DOCKET NO. CP88-413-000
Texas Gas Transmission Corporation (Texas Gas).

Texas Gas has petitioned for a certificate of convenience and necessity under Section 7(c) of the NGA to build a line to Quincy Soybean Company of Arkansas and to provide transportation service. The Commission has moved to institute a joint board with the FERC to examine the question of by-pass. The case is currently pending before FERC.

FERC DOCKET NO. RP88-209-000
Natural Gas Pipeline of America (NGPL).

The Arkansas Public Service Commission intervened in the NGA Section 4 rate filing by NGPL. Of concern to the Commission are rate design issues proffered by NGPL which may competitively disadvantage other pipelines serving Arkansas consumers. Acceptance of the proposed change by FERC would shift costs to low-load factor customers of pipelines (i.e. local distribution companies). The case is pending at FERC.

FERC DOCKET NO. RM88-13-000
Brokering of Interstate Natural Gas Pipeline Capacity.

During 1988, the Commission intervened and filed extensive initial and follow-up comments in Docket RM88-13-000. The Commission supported the concept of capacity brokering, but expressed concerns regarding parts of the rulemaking. Specifically addressed by the Commission were FERC's proposals regarding (1) FERC jurisdiction over intrastate transportation service; (2) immediate certification of pipelines and brokers wishing to engage in capacity brokering; (3) the lack of adequate review processes in the rulemaking; (4) determination of competition in markets for capacity brokering; (5) possible cost shifting; and (6) the need to expand allowed receipt and delivery points on pipeline system brokers.

FERC Docket No. RM88-20-000
5-Year Take-or-pay Make-up Provisions in
Natural Gas Producer-Pipeline Contracts.

The Commission intervened and filed comments opposing the removal of provisions in the FERC regulations which provide for a mandatory minimum five year period in which a pipeline may take gas for which it has prepaid. It was the Commission's position that FERC had provided no evidence in this rulemaking which supported its conclusions that the mandatory make-up period was no longer necessary. Further, it was the Commission's position that five years was a reasonable limitation and that its exclusion would be harmful to pipelines and their customers, to which this Commission is responsible. FERC has not issued a final order in this case.

FERC DOCKET NO. TA88-2-25-000
Mississippi River Transmission Corporation (MRT).

The Commission intervened in the aforementioned filing by MRT at FERC in which MRT requested Order 500 flow-through to its FERC jurisdictional customers of contract reformation costs (take-or-pay) from

United Pipeline Company (United). MRT currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of MRT. This case is currently on appeal.

FERC DOCKET NOS. TA88-3-25-000 & RP88-146-000
Mississippi River Transmission Corporation (MRT).

The Commission intervened in the aforementioned filing by MRT at FERC in which MRT requested Order 500 flow-through to its FERC jurisdictional customers of contract reformation costs (take-or-pay) from Natural Gas Pipeline Company of America (NGPL). MRT currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of MRT. This case is currently on appeal.

FERC DOCKET NO. RP88-80-000
Texas Eastern Transmission Company (Texas Eastern).

The Commission intervened in the aforementioned filing by Texas Eastern at FERC in which Texas Eastern requested Order 500 flow-through to its FERC jurisdictional customers of contract reformation costs (take-or-pay) from United Gas Pipeline Company (United). Texas Eastern currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of Texas Eastern. This case is currently on appeal.

FERC DOCKET NO. RP88-192-000
Texas Eastern Transmission Company (Texas Eastern).

The Commission intervened in the aforementioned filing by Texas Eastern at FERC in which Texas Eastern requested Order 500 flow-through to its FERC jurisdictional customers of contract reformation costs (take-or-pay) from Southern Natural Gas Company (Southern). Texas Eastern currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of Texas Eastern. This case is currently pending at FERC.

FERC DOCKET NO. RP88-230-000
Texas Gas Transmission Company (Texas Gas).

The Commission intervened in the aforementioned filing by Texas Gas at FERC in which Texas Gas requested Order 500 flow-through to its FERC jurisdictional customers of contract reformation costs (take-or-pay) from Tennessee Gas Transmission Company (Tennessee). Texas Gas currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of Texas Gas. This case is currently pending at FERC.

FERC DOCKET NO. RP89-12-000
Mississippi River Transmission Corporation (MRT).

The Commission intervened in the aforementioned filing by MRT at FERC in which MRT requested Order 500 flow-through to its FERC jurisdictional customers of contract reformation costs (take-or-pay) from Trunkline Gas Company (Trunkline). MRT currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of MRT. This case is still pending at FERC.

FERC DOCKET RP89-13-000
Mississippi River Transmission Corporation (MRT).

The Commission intervened in the aforementioned filing by MRT at FERC in which MRT requested Order 500 flow-through to its FERC jurisdictional customers of additional contract reformation costs (take-or-pay) from United Pipeline Company. MRT currently serves entities over which the APSC has jurisdictional authority. We have intervened in this filing in order to monitor the methodology approved by FERC in these dockets for consistency and fairness and to measure the dollar impact to Arkansas jurisdictional customers of MRT. This case is still pending at FERC.

B. Federal Communications Commission

CC Dockets 78-72 and 80-286

The Arkansas Public Service Commission intervened in these continuing dockets, which address in general the interstate Universal Service Fund, non-traffic sensitive cost assignment and subscriber line charges. These dockets also contain much of the Federal activity in the areas of separations and allocations of costs and revenues between the state and federal jurisdictions.

CC Docket 86-111

The Arkansas Public Service Commission is a party to this ongoing docket, which addresses the appropriate methodology for the allocation of common and joint costs between regulated and unregulated services. The conclusions reached in this docket could result in the subsidization of unregulated services by consumers of regulated services.

CC Docket 86-297

The Arkansas Public Service Commission is a party to this continuing docket, which addresses the rewrite of the jurisdictional separations manual for Class A and B telephone utilities in order to conform Part 67 to the new Uniform System of Accounts, Part 32.

CC Docket 87-266

The Arkansas Public Service Commission filed prepared comments regarding a proposal to approach Congress with a recommendation to eliminate certain language in the Cable Communications Policy Act of 1984. Of concern is language which prohibits telephone companies from cross-ownership of facilities used to provide cable television in service areas of telephone companies.

CC Docket 87-313

The Arkansas Public Service Commission filed prepared comments and reply comments which addressed concerns about the evaluation and adoption of a price cap form of regulation to replace traditional rate of return regulation for interstate telecommunications services.

CC Docket 87-339

This Docket was established to monitor the impact of decisions by the Federal/State Joint Board on end users. The decisions could result in increased rates, bypass of the public switched network, etc. The Arkansas Public Service Commission has filed data in this continuing docket.

CC Docket 88-2

The Arkansas Public Service Commission is a party to this docket, which was established to review the plans of the Regional Bell Operating Companies (RBOC) for implementing Open Network Architecture (ONA) as ordered by the FCC in its Computer Inquiry III docket (CC Docket 85-229). ONA plans are to be used in lieu of structural separation requirements as a precondition for permitting the RBOC to enter the enhanced service markets.

On February 1, 1988 these companies filed their proposed plans in this docket. The tentative date for implementation of ONA by the FCC is

August, 1989. The Staff has been active in developing a regional task force to provide guidance on the implementation of ONA for the states served by Southwestern Bell Telephone Company.

CC Docket 88-341

The Arkansas Public Service Commission filed comments in this ongoing docket which was initiated to review the eligibility criteria for applicants requesting Link-Up America connection assistance and determine if these criteria should be revised. Arkansas was one of four states initially enlisted to administer and monitor the Link-Up program.

SECTION 14. SUMMARY OF DOCKETS ON APPEAL FROM FEDERAL REGULATORY AGENCIES

Consolidated Case Nos. 87-7230 87-7233, 87-7265, 87-7361, 87-7362 87-7441, and 87-7451

People of the State of California, et al.
and
North American Telecommunications Association, et al.
v.
Federal Communications Commission and United States of America and Pacific Bell, et al.

United States Court of Appeals for the 9th Circuit.

This case involves appeals of the following FCC decisions: Report and order, 194 FCC 2d 958 (1986) (J.A. 952); Memorandum Opinion and Order on Reconsideration, FCC 87-102 (released May 22, 1987), 52 Fed. Reg. 21954 (June 10, 1987), reported at 2 FCC Rcd 3035 (J.A. 1271); and Report and Order, FCC 8-103 (released May 22, 1987) 52 Fed. Reg. 20714 (June 3, 1987), reported at 2 FCC Rcd 3072 (J.A. 1308), (referred to as the Computer Inquiry III decision). In the Computer III decision, the FCC has abandoned the requirement that the Bell operating companies provide enhanced services through structurally independent subsidiary companies. In so ruling, the FCC specifically pre-empted any state law or regulation which would require the provision of enhanced services through structural separations. The FCC also pre-empted any state regulation over the terms, conditions and price of enhanced services. The California Public Service Commission and numerous other state regulatory commissions, including the Arkansas Public Service Commission, have appealed the FCC decisions.

Civil Action No. 82-0192

United States of America
v.
Western Electric Company, Inc., et al.

United States District Court for the District of Columbia, Civil Action No. 82-0192

This case involves the divestiture of American Telephone and Telegraph Company from the Bell operating companies. Numerous issues are involved regarding the Bell operating companies' provision of enhanced services, information services, cellular mobile services, and toll services. The case also involves the Bell operating companies prohibition on crossing local access and transport area boundaries, as well as certain prohibitions on manufacturing and research and development. These numerous issues affect the state's regulation of Southwestern Bell Telephone Company. Although the Arkansas Public Service Commission is not a party to this litigation, the Commission has filed briefs as amicus curiae on certain issues.

Case No. 86-1678

National Association of Regulatory Utility
Commissioners, et al.
v.
Federal Communications Commission

United States Court of Appeals No. 86-1678, and
consolidated cases

The Commission has joined petitioners seeking review of the FCC's assertion of preemptive jurisdiction to deregulate inside wire, which is the wiring usually found on the telephone customer's side of the service box, between the service box and the wall jack where the cord leading to the telephone handset is plugged. The Commission asserts that the local telephone company should be regulated in provision and maintenance of these facilities.

Case No. 88-1774

National Steel Corporation, et al.
v.
Long

United States Court of Appeals for the Sixth Circuit

The Arkansas Public Service Commission has filed a motion for leave to join in the filing of a brief Amicus Curiae together with the Wisconsin and Ohio Commissions. The issue in this case is whether Panhandle Eastern Pipeline Company, which transports gas to National Steel Corporation, is engaged in the local distribution of gas and, thus, subject to the jurisdiction of the Michigan Public Service Commission. The bypass of local distribution companies by interstate pipelines is a pressing question at the Arkansas Public Service Commission. It has direct ramifications on the loss of large industrial customers by local distribution companies and the subsequent diminishment of contributions to fixed costs which affects remaining customers.

Case No. 87-1588

American Gas Association
v.
Federal Energy Regulatory Commission

United States Court of Appeals for the District of
Columbia Circuit No. 87-1588.

This appeal of the FERC's Order No. 500 series argues that the FERC should use its authority under Section 5 of the Natural Gas Act to modify gas producers' take-or-pay contract rights against interstate pipelines. The FERC orders permit recovery of take-or-pay costs from the pipeline sales customers. The Commission opposed making the sales customers responsible for costs which they did not cause the pipelines; therefore, the Commission intervened on the side of petitioners.

87-1588 - AGA - American Gas Association
87-4749 - Shell Offshore

American Gas Association
v.
Federal Energy Regulatory Commission

United States Court of Appeals

These two cases were consolidated into one case of American Gas Association v. Federal Energy Regulatory Commission. This appeal of the FERC's Order No. 500 series argues that the FERC should use its authority under Section 5 of the Natural Gas Act to modify gas producers' take-or-pay contract rights against interstate pipelines. The FERC orders permit recovery of take-or-pay costs from the pipeline sales customers. We are opposed to making the sales customers responsible for costs which they did not cause the pipelines; therefore, we intervened on the side of petitioners.

SECTION 15. COMMISSION REVIEW OF UTILITY OPERATIONS

A. Informal Customer Inquiries and Complaints

During 1988, 17,898 Arkansas customers contacted the Commission's Consumer Services Office regarding utility issues. Of those 17,898 contacts, 2,682 were complaints. The other 15,216 contacts fall into several general categories:

- calls involving requests for information or referrals to other agencies or jurisdictions (8%);

- calls referred to utility companies because the customer had not made a "good faith effort" to resolve the complaint before contacting the PSC (27%);

- calls from customers and utilities concerning potential, open, and closed complaints (22%);

- administrative/other calls - which include staff interaction on complaints (26%); and

- lost calls - which are calls terminated by the calling party - (2%).

Although complaints represent only 15% of all contacts through Consumer Services, they require a significant allocation of time and resources. Complaints involve numerous contacts with utility representatives and staff members as well as extensive research to ensure compliance with Commission rules and approved tariffs. Many complaints also require additional technical analysis, field investigation, and written reports.

Staff members resolved many issues through individual complaints during 1988 which ultimately affected large numbers of Arkansas customers. Some examples of those issues are:

- refusal to enter delayed payment agreements;

- changes in billing cycles which resulted in overcharges;

meter removals during complaint tests;

- estimated billing for more than two months;

- installation delays resulting from estimated service dates based on average time instead of customer facilities;

- poor quality service;

- alternative operator services;
- deposits which did not meet Rules criteria; and
- incorrectly imposed late charges.

Information regarding the customer and the nature of the complaint is recorded for each contact. In addition, major categories are used to divide complaints by one of three subject areas: 1) billing; 2) service; and 3) service requests. The chart which follows illustrates the distribution of the 1988 complaints by category and by industry group.

MAJOR CATEGORY COMPLAINT SUMMARY BY INDUSTRY
YEAR ENDED DECEMBER 31, 1988

WRITTEN COMPLAINTS

	TELEPHONE	ELECTRIC	GAS	WATER	TOTAL
BILLING	47	61	16	3	127
SERVICE	40	9	1	2	52
SERVICE REQUESTS	54	7	5	3	69
TOTALS	141	77	22	8	248

VERBAL COMPLAINTS

	TELEPHONE	ELECTRIC	GAS	WATER	TOTAL
BILLING	489	866	354	21	1730
SERVICE	167	71	25	0	263
SERVICE REQUESTS	220	140	77	4	441
TOTALS	876	1077	456	25	2434
	1017	1154	478	33	2682

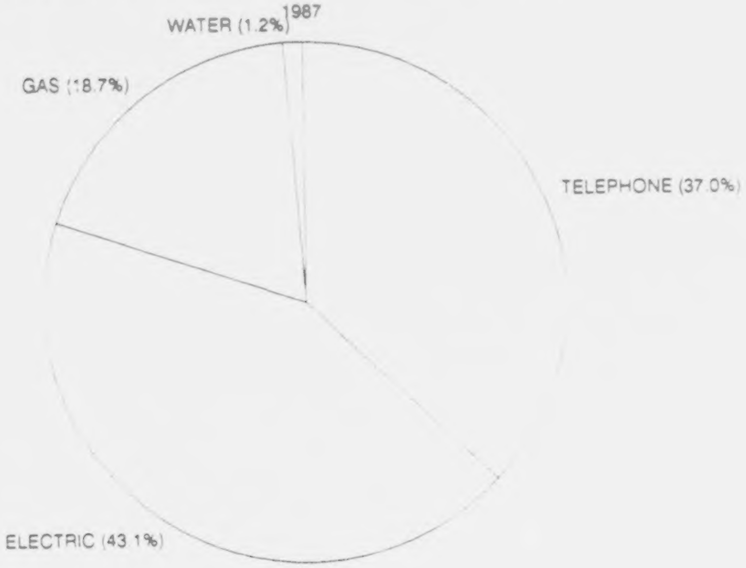
Documentation of several new items began in 1987 for each complaint. From these fields of information, complaints are now analyzed in a variety of new ways.

Subcategories are new and are used to identify complaint issues more specifically both for industry groups and for individual companies. The following charts and tables use those subcategories, as well as other new fields, to provide information which should be useful both to regulated utilities and to their customers.

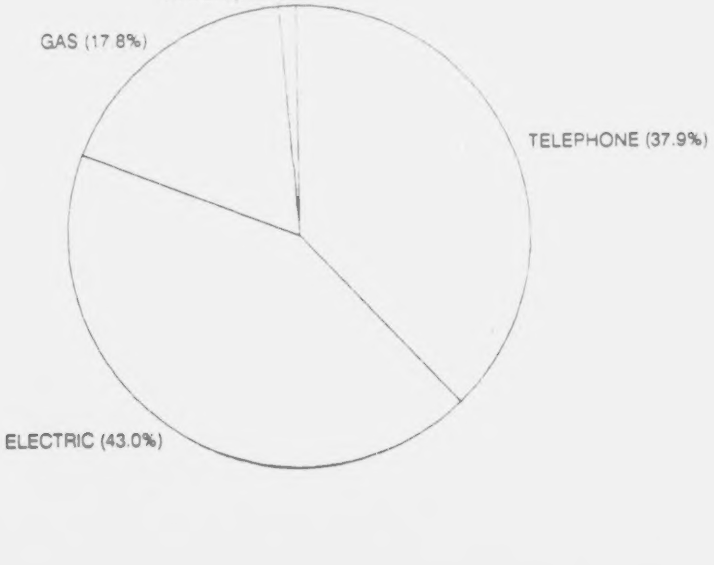
COMPLAINT PERCENTAGES BY INDUSTRY FOR 1987 AND 1988

These two charts compare the percentage of complaints by industry for 1987 and 1988. These percentages do not reflect a significant change in the complaints received in 1987 and 1988 by industry, with electric utilities having approximately 43%, telephone utilities approximately 38%, gas utilities approximately 18%, and water utilities approximately 1%.

COMPLAINT PERCENTAGES BY INDUSTRY

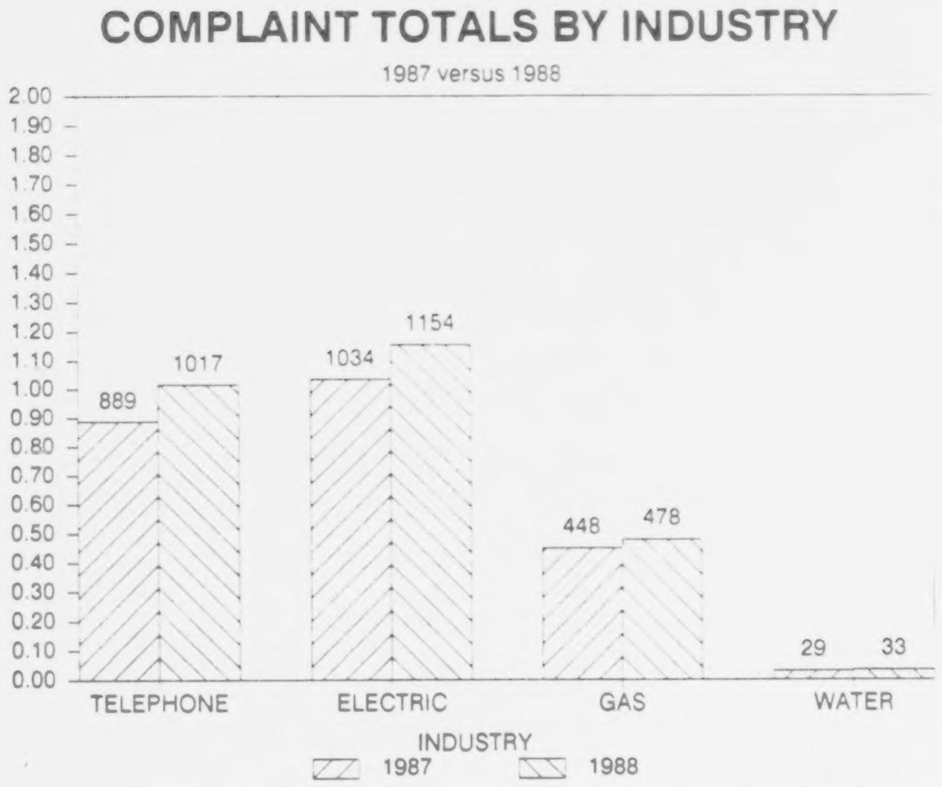


COMPLAINT PERCENTAGES BY INDUSTRY



COMPLAINT TOTALS BY INDUSTRY: 1987 VS. 1988

The chart below shows a comparison of the total number of complaints received by the Commission by industry for 1987 and 1988. This comparison reflects an increase of 294 in the total number of complaints received. The largest increase was in the telephone industry (131), followed by the electric industry (120), the gas industry (30), and the water industry (13).

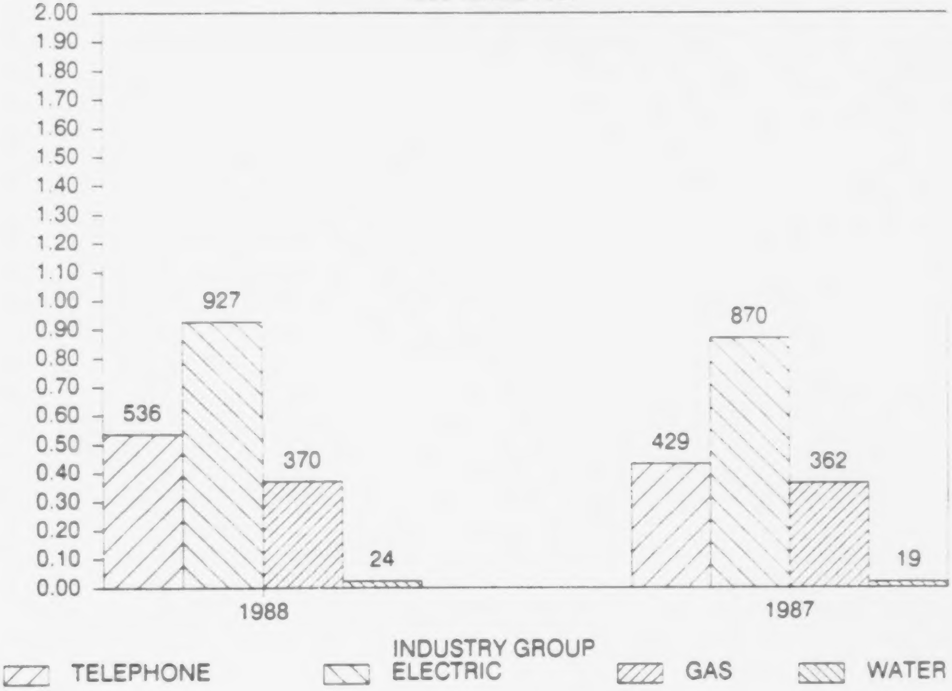


ANALYSIS OF EACH MAJOR CATEGORY BY INDUSTRY

The following charts compare the total complaints for each major category (billing, service and service request) by industry for 1987 and 1988. The largest number of complaints received in 1987 and 1988 concerned billing, followed by service complaints and service request complaints.

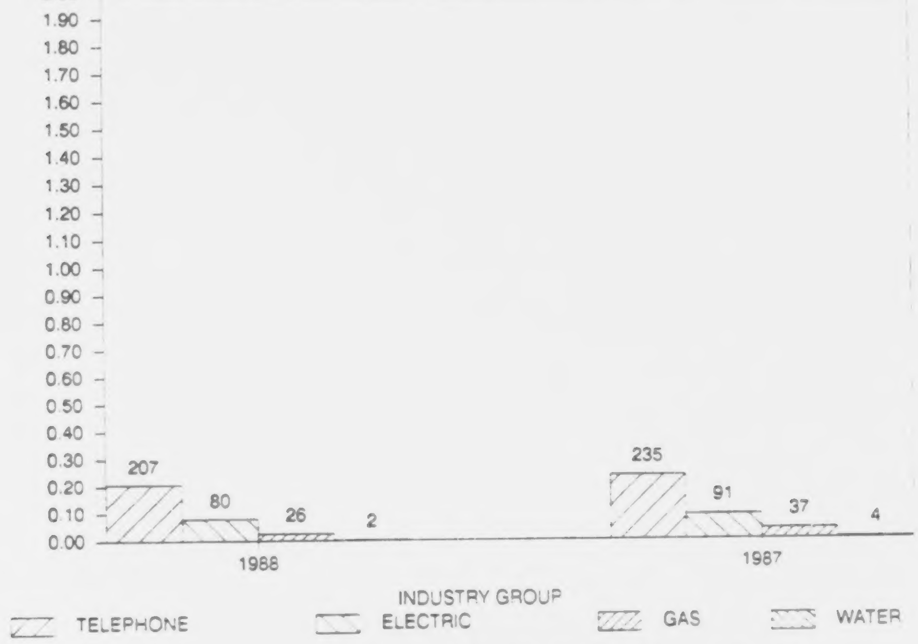
TOTAL BILLING COMPLAINTS

1988 versus 1987



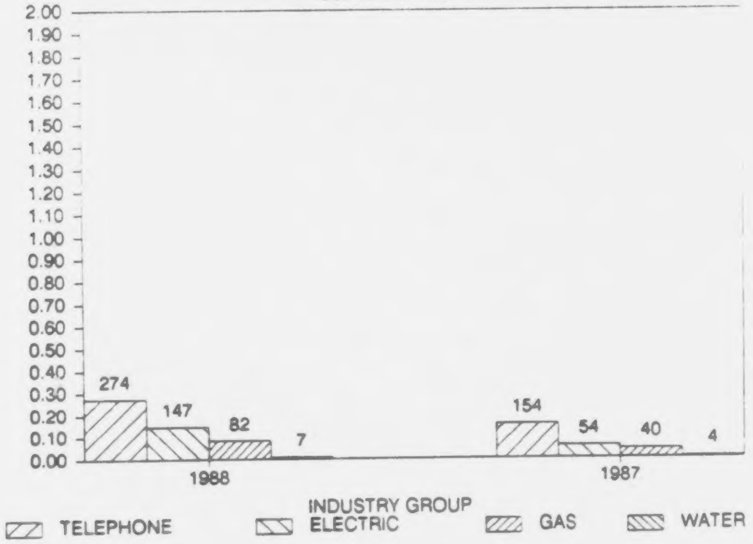
TOTAL SERVICE COMPLAINTS

1988 versus 1987



TOTAL SERVICE REQUEST COMPLAINTS

1988 versus 1987

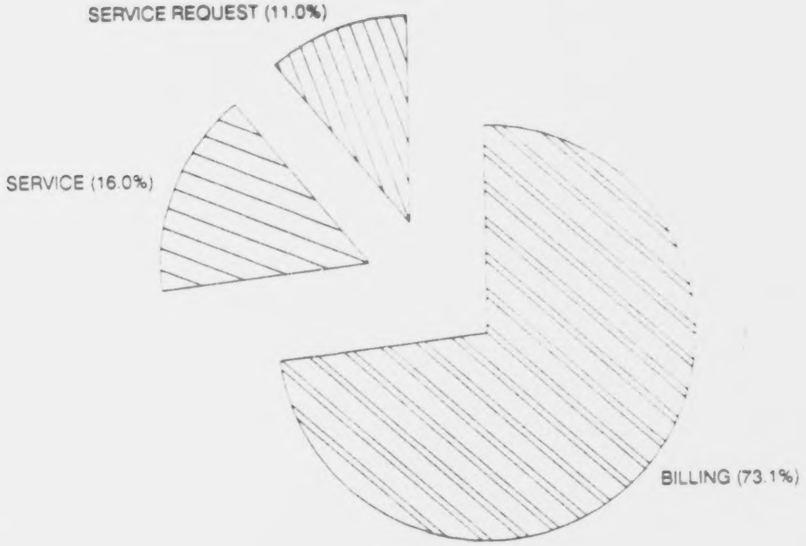


ANALYSIS OF COMPLAINT PERCENTAGES FOR EACH MAJOR CATEGORY

These charts show the percentage of total complaints for 1987 and 1988 by major category - billing, service, and service request. The charts reflect an increase in 1988 over 1987 for service request complaints, and a decrease in billing and service complaints.

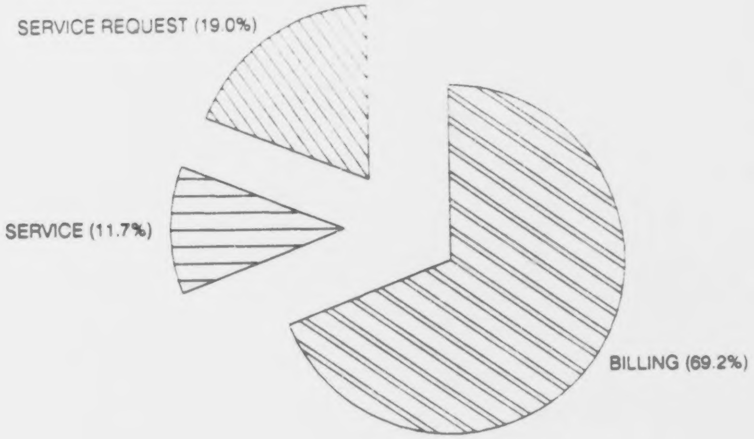
COMPLAINT PERCENTAGES FOR EACH CATEGORY

1987



COMPLAINT PERCENTAGES FOR EACH CATEGORY

1988



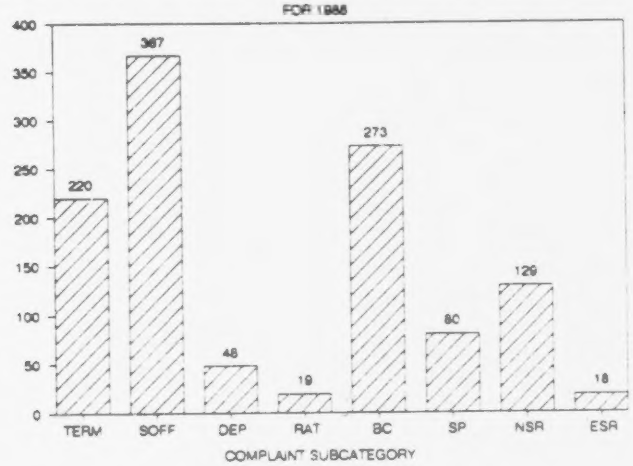
1988 COMPLAINT SUBCATEGORIES

TERM: SERVICE HAS BEEN TERMINATED
SOFF: SHUT-OFF IS IMMINENT
DEP: DEPOSIT PROBLEMS AND DISPUTES
RAT: COMPLAINTS REGARDING EXISTING RATES
BC: BILL CALCULATION PROBLEMS AND DISPUTES
SP: SERVICE PROBLEM
NSR: NEW SERVICE REQUEST
ESR: EXISTING SERVICE REQUEST

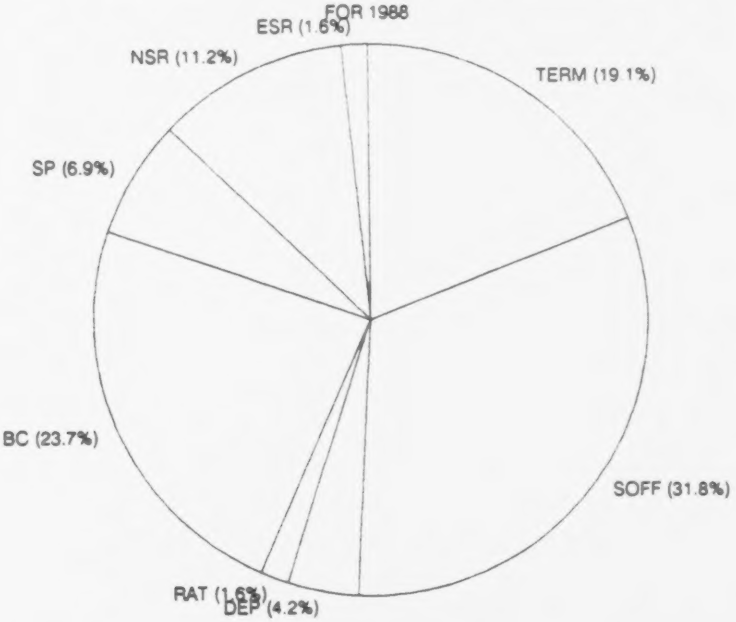
SUMMARY OF SUBCATEGORY TOTALS AND PERCENTAGES BY INDUSTRY

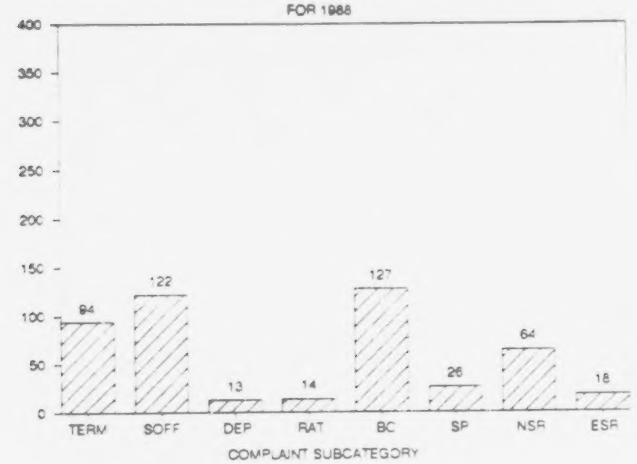
The following charts reflect the total number of complaints and the percentage of complaints by subcategory for each industry for 1988. The majority of the complaints for each industry involve termination, shut-off, billing, service problems, and new service requests.

ELECTRIC COMPLAINT SUBCATEGORY TOTALS

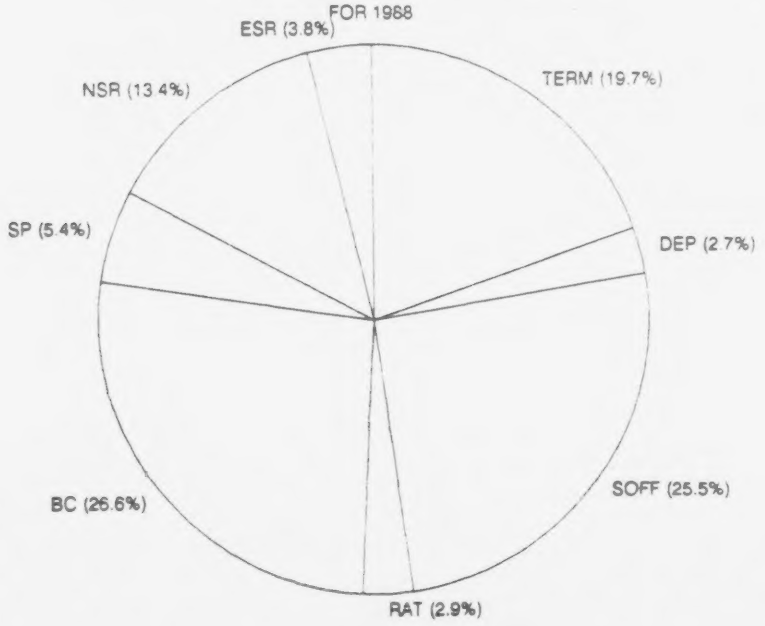


ELECTRIC SUBCATEGORY PERCENTAGES



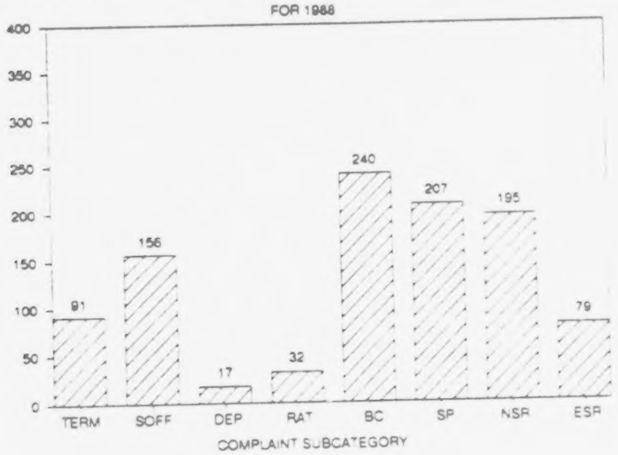


GAS COMPLAINT SUBCATEGORY TOTALS

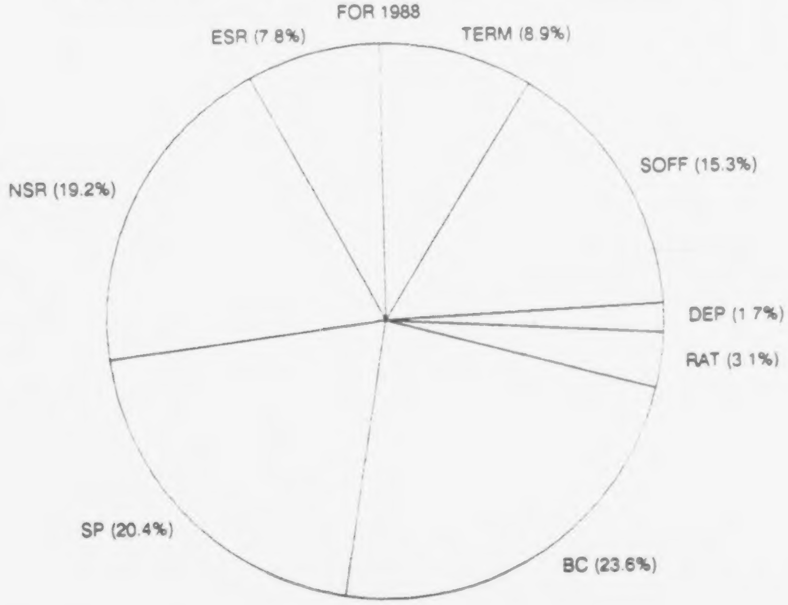


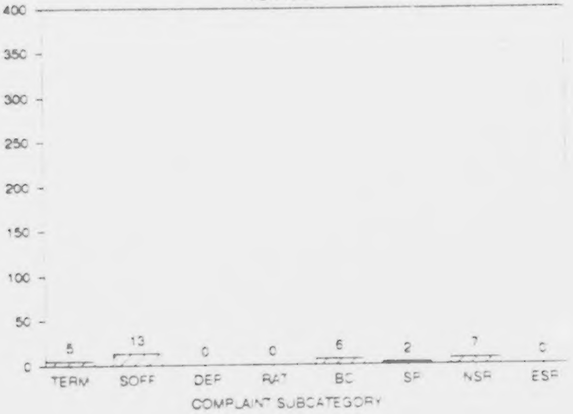
GAS SUBCATEGORY PERCENTAGES

TELEPHONE COMPLAINT SUBCATEGORY TOTALS



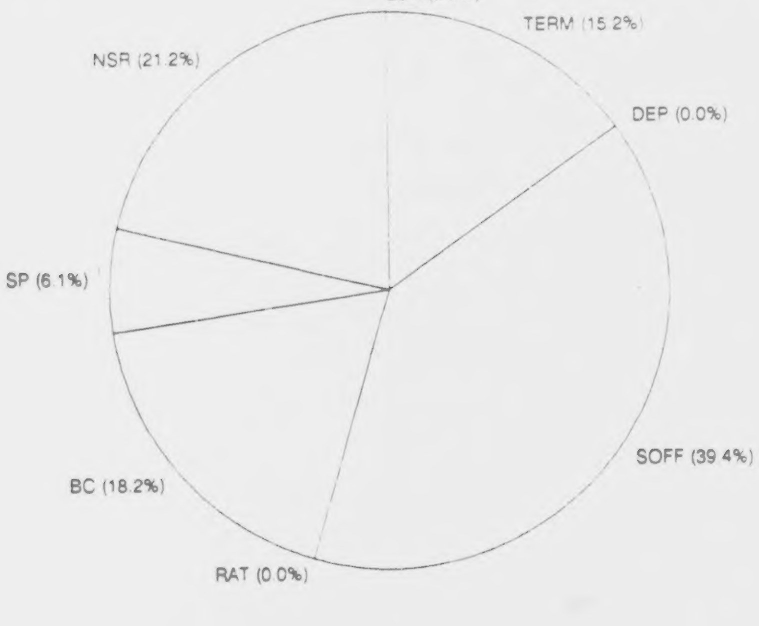
TELEPHONE SUBCATEGORY PERCENTAGES





WATER SUBCATEGORY TOTALS

FOR 1988



WATER SUBCATEGORY PERCENTAGES

FOR 1988

COMPLAINT PERCENTAGE BY SUBCATEGORY FOR EACH UTILITY

The following four tables reflect the subcategory percentages for each utility, organized by industry.

COMPLAINT PERCENTAGES BY SUBCATEGORY FOR EACH UTILITY
YEAR ENDED DECEMBER 31, 1988
ELECTRIC COMPANIES

NAME OF COMPANY	TERM	SOFF	DEP	RAT	BC	SP	NSR	ESR
Arkansas Electric Coop. Corp.	0%	0%	0%	0%	0%	0%	0%	0%
Arkansas Power & Light Co.	21%	37%	2%	2%	23%	6%	9%	2%
Arkansas Valley Electric Coop.	12%	31%	13%	0%	23%	8%	13%	0%
Ashley-Chicot Electric Coop.	0%	0%	0%	0%	0%	100%	0%	0%
C & L Electric Cooperative	43%	5%	0%	0%	14%	11%	27%	0%
Carroll Electric Coop. Corp.	10%	13%	3%	6%	19%	16%	32%	0%
Clay County Electric Coop. Corp.	0%	0%	0%	25%	0%	75%	0%	0%
Craighead Electric Coop. Corp.	25%	25%	6%	0%	19%	3%	22%	0%
Empire District Electric Co.	0%	0%	0%	0%	0%	0%	0%	0%
Farmers Electric Coop. Corp.	0%	33%	33%	0%	33%	0%	0%	0%
First Electric Coop. Corp	11%	25%	7%	0%	43%	6%	7%	2%
Mississippi County Electric Coop., Inc	0%	0%	0%	0%	0%	0%	0%	0%
North Arkansas Electric Coop., Inc.	10%	20%	0%	10%	0%	20%	40%	0%
Oklahoma Gasand Electric Co.	18%	29%	11%	7%	18%	14%	4%	0%
Ouachita electric Coop. Corp.	20%	0%	0%	0%	40%	20%	20%	0%
Ozarks Electric Coop. Corp.	8%	33%	0%	0%	33%	13%	8%	4%
Petit Jean Electric Coop. Corp.	14%	14%	29%	14%	29%	0%	0%	0%
Riceland Electric Coop., Inc.	0%	0%	0%	0%	0%	0%	0%	0%
Rich Mountain Electric Coop., Inc.	0%	25%	0%	0%	50%	0%	25%	0%
South Central Arkansas Electric Coop.,	0%	0%	0%	0%	0%	0%	50%	50%
Southwest Arkansas Electric Coop. Corp	5%	19%	14%	5%	29%	0%	9%	0%
Southwestern Electric Power Co.	15%	40%	8%	0%	17%	4%	15%	2%
Woodruff Electric Coop. Corp.	36%	18%	9%	0%	9%	9%	18%	0%
TOTAL	19%	32%	4%	2%	24%	7%	11%	2%

COMPLAINT PERCENTAGES BY SUBCATEGORY FOR EACH UTILITY
YEAR ENDED DECEMBER 31, 1988
GAS COMPANIES

NAME OF COMPANY	TERM	SOFF	DEP	RAT	BC	SP	NSR	ESR
Arkansas Louisana Gas Co.	20%	26%	1%	3%	28%	6%	12%	3%
Arkansas Oklahoma Gas Corp.	13%	13%	10%	0%	17%	10%	23%	13%
Arkansas Western Gas Co.	14%	22%	11%	6%	31%	0%	14%	3%
Associated Natural Gas Co.	27%	47%	7%	0%	0%	0%	20%	0%
Louisiana-Nevada Transit	0%	0%	0%	0%	0%	0%	0%	0%
Mansfield Gas, Inc.	0%	0%	0%	0%	0%	0%	0%	0%
Union Gas Company of Arkansas	0%	100%	0%	0%	0%	0%	0%	0%
TOTALS	20%	26%	3%	3%	27%	5%	13%	4%

PERCENT OF COMPLAINTS BY COMPANY BY MAJOR SUBCATEGORY
YEAR ENDED DECEMBER 31, 1988
WATER COMPANIES

NAME OF COMPANY	TERM	SOFF	DEP	RAT	BC	SP	NSR	ESR
General Waterworks Corp. Pine Bluff	15%	39%	0%	0%	18%	6%	21%	0%
Quapaw Water Co.	0%	0%	0%	0%	0%	0%	0%	0%
Shumaker Public Service Corp. [water]	0%	0%	0%	0%	0%	0%	0%	0%
Shumaker Public Service Corp. [waste]	0%	0%	0%	0%	0%	0%	0%	0%
TOTALS	15%	39%	0%	0%	18%	6%	21%	0%

COMPLAINT PERCENTAGES BY SUBCATEGORY FOR EACH UTILITY
YEAR ENDED DECEMBER 31, 1988
TELEPHONE COMPANIES

NAME OF COMPANY	TERM	SOFF	DEP	RAT	BC	SP	NSR	ESR
Alltel Arkansas, Inc.	5%	0%	4%	3%	14%	47%	18%	9%
Arkansas Telephone Co., Inc.	0%	0%	0%	0%	67%	0%	0%	33%
Caddoan Telephone Co.	0%	0%	0%	0%	0%	0%	0%	0%
Central Co.	0%	0%	0%	0%	88%	13%	0%	0%
Central Arkansas Telephone Coop., Inc.	40%	20%	0%	0%	0%	20%	20%	0%
Cleveland County Telephone Co.	7%	7%	0%	0%	0%	67%	13%	7%
Continental Telephone Co. of Arkansas	0%	10%	2%	10%	16%	47%	10%	6%
Continental Telephone Co. of Missouri	0%	0%	0%	0%	0%	0%	0%	0%
Decatur Telephone Co.	0%	0%	0%	0%	0%	0%	0%	0%
E. Ritter Telephone Co.	0%	0%	100%	0%	0%	0%	0%	0%
GTE Southwest Inc.	1%	7%	3%	8%	22%	35%	17%	7%
Lavaca Telephone Co., Inc	0%	0%	0%	0%	100%	0%	0%	0%
Liberty Telephone Co.	0%	0%	0%	0%	25%	13%	38%	25%
Madison County Telephone Co., Inc.	0%	0%	0%	0%	0%	33%	33%	33%
Magazine Telephone Co.	0%	0%	0%	0%	0%	0%	67%	33%
Mountain Home Telephone Co., Inc.	0%	0%	0%	0%	11%	22%	22%	44%
Mountain View Telephone Co.	0%	60%	0%	0%	0%	20%	0%	20%
Northern Arkansas Telephone Co.	0%	0%	0%	0%	35%	39%	0%	26%
Perco Telephone Co.	0%	0%	6%	0%	13%	69%	6%	6%
Prairie Grove Telephone Co.	0%	0%	0%	0%	0%	0%	0%	0%
Redfield Telephone Co.	0%	0%	33%	0%	0%	33%	33%	0%
Rice Belt Telephone Co., Inc.	0%	0%	100%	0%	0%	0%	0%	0%
South Arkansas Telephone Co., Inc.	0%	0%	0%	0%	0%	100%	0%	0%
Southwest Arkansas Telephone Co-op., I	50%	50%	0%	0%	0%	0%	0%	0%
Southwestern Bell Telephone Co.	13%	23%	1%	2%	18%	12%	24%	7%
Tri-County Telephone	0%	14%	0%	0%	29%	0%	57%	0%
Union Telephone Co., Inc.	33%	0%	0%	0%	0%	0%	33%	33%
United Telephone Co. of Arkansas	0%	38%	0%	0%	0%	38%	13%	13%
Walnut Hill Telephone Co.	17%	0%	0%	0%	33%	17%	17%	17%
Yelcot Telephone Co., Inc.	0%	0%	0%	0%	0%	0%	0%	0%
Yell County Telephone Co.	20%	20%	0%	0%	20%	20%	0%	20%
All LD Carriers (AT&T, MCI, Etc...)	2%	1%	0%	5%	78%	7%	4%	2%
TOTALS	9%	15%	2%	3%	24%	20%	19%	8%

RATIO OF COMPLAINTS PER 1000 CUSTOMERS

The following four tables show the complaint ratio per 1000 customers for each utility. At the end of each table is an average complaint ratio for the industry group. This analysis was performed based on the number of customers and complaints in Arkansas only.

COMPLAINT RATIO FOR ELECTRIC COMPANIES
YEAR ENDED DECEMBER 31, 1988

NAME OF COMPANY	COMPLAINTS	ARKANSAS CUSTOMERS	COMPLAINTS PER / 1000 CUSTOMERS
Arkansas Electric Coop. Corp.	0	17	0.00
Arkansas Power & Light Co.	726	548247	1.32
Arkansas Valley Electric Coop.	52	29227	1.78
Ashley-Chicot Electric Coop.	3	3936	0.76
C & L Electric Cooperative	37	15408	2.40
Carroll Electric Coop. Corp.	31	32648	0.95
Clay County Electric Coop. Corp.	4	10234	0.39
Craighead Electric Coop. Corp.	36	23240	1.55
Empire District Electric Co.	0	2872	0.00
Farmers Electric Coop. Corp.	3	4881	0.61
First Electric Coop. Corp	102	43121	2.37
Mississippi County Electric Coop., Inc	0	3312	0.00
North Arkansas Electric Coop., Inc.	10	21321	0.47
Oklahoma Gas and Electric Co.	28	53828	0.52
Ouachita Electric Coop. Corp.	5	8162	0.61
Ozarks Electric Coop. Corp.	24	24266	0.99
Petit Jean Electric Coop. Corp.	7	13327	0.53
Riceland Electric Coop., Inc.	0	3426	0.00
Rich Mountain Electric Coop., Inc.	4	5131	0.78
South Central Arkansas Electric Coop.,	2	7456	0.27
Southwest Arkansas Electric Coop. Corp	21	19377	1.08
Southwestern Electric Power Co.	48	78573	0.61
Woodruff Electric Coop. Corp.	11	16015	0.69
TOTALS	1154	968025	1.19

COMPLAINT RATIO FOR GAS COMPANIES
YEAR ENDED DECEMBER 31, 1988

NAME OF COMPANY	COMPLAINTS	ARKANSAS CUSTOMERS	COMPLAINTS PER / 1000 CUSTOMERS
Arkansas Louisana Gas Co.	396	398821	0.99
Arkansas Oklahoma Gas Corp.	30	37897	0.79
Arkansas Western Gas Co.	36	78384	0.46
Associated Natural Gas Co.	15	16929	0.89
Louisiana-Nevada Transit	0	1572	0.00
Mansfield Gas, Inc.	0	686	0.00
Union Gas Company of Arkansas	1	2043	0.49
TOTALS	478	536332	0.89

COMPLAINT RATIO FOR WATER COMPANIES
YEAR ENDED DECEMBER 31, 1988

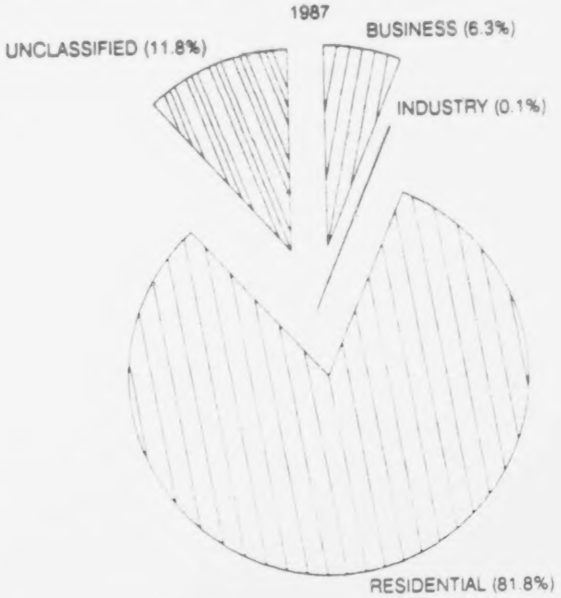
NAME OF COMPANY	COMPLAINTS	ARKANSAS CUSTOMERS	COMPLAINTS PER / 1000 CUSTOMERS
General Waterworks Corp. Pine Bluff	33	20131	1.64
Quapaw Water Co.	0	2722	0.00
Shumaker Public Service Corp. [water]	0	527	0.00
TOTALS	33	23380	1.41

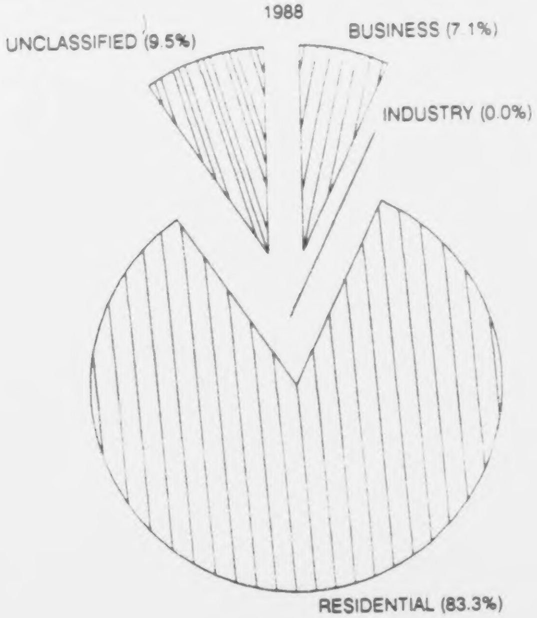
COMPLAINT RATIO FOR TELEPHONE COMPANIES
YEAR ENDED DECEMBER 31, 1988

NAME OF COMPANY	COMPLAINTS	ARKANSAS CUSTOMERS	COMPLAINTS PER / 1000 CUSTOMERS
Alltel Arkansas, Inc.	74	69705	1.06
Arkansas Telephone Co., Inc.	3	5344	0.56
Caddoan Telephone Co.	0	275	0.00
Central Co.	8	N/A	N/A
Central Arkansas Telephone Coop., Inc.	5	2012	2.49
Cleveland County Telephone Co.	15	2269	6.61
Continental Telephone Co. of Arkansas	51	72049	0.71
Continental Telephone Co. of Missouri	0	943	0.00
Decatur Telephone Co.	0	722	0.00
E. Ritter Telephone Co.	1	3880	0.26
GTE Southwest Inc.	72	76765	0.94
Lavaca Telephone Co., Inc	1	1095	0.91
Liberty Telephone Co.	8	12927	0.62
Madison County Telephone Co., Inc.	3	2631	1.14
Magazine Telephone Co.	3	731	4.10
Mountain Home Telephone Co., Inc.	9	13888	0.65
Mountain View Telephone Co.	5	4150	1.20
Northern Arkansas Telephone Co.	23	4669	4.93
Perco Telephone Co.	16	3011	5.31
Prairie Grove Telephone Co.	0	6083	0.00
Redfield Telephone Co.	3	1281	2.34
Rice Belt Telephone Co., Inc.	1	1021	0.98
South Arkansas Telephone Co., Inc.	1	3142	0.32
Southwest Arkansas Telephone Co-op., I	2	3985	0.50
Southwestern Bell Telephone Co.	593	685554	0.86
Tri-County Telephone	7	4482	1.56
Union Telephone Co., Inc.	3	599	5.01
United Telephone Co. of Arkansas	8	15078	0.53
Walnut Hill Telephone Co.	6	4224	1.42
Yelcot Telephone Co., Inc.	0	2535	0.00
Yell County Telephone Co.	5	4063	1.23
All LD Carriers (AT&T, MCI, Etc...)	91	N/A	N/A
TOTALS	1017	1009113	1.01

COMPLAINT PERCENTAGES BY CLASS OF SERVICE

The charts below show the percentage of complaints by class of service (residential, business, and unclassified) for 1987 and 1988. The majority of complaints received in both years involve residential customers, followed by business and unclassified customers.


COMPLAINT PERCENTAGES BY SERVICE CLASS


COMPLAINT PERCENTAGES BY SERVICE CLASS

B. Management Audit Review For PSC Rules Compliance

The Management Audits Staff periodically reviews the number and character of consumer complaints received by the Commission to identify possible trends for a particular company or industry. Based upon this review, the Staff performs focused inspections to ensure compliance with the Commission's General Service Rules.

During 1988 the Management Audits Staff performed five investigations of utility operations with regard to the requirements of the Commission's General Service Rules. Four inspection reports were issued and corrective action was taken on each of the violations cited.

C. Compliance Audits

Compliance audits are performed to investigate utility costs subject to adjustment clauses. The audits serve to ensure that the adjustment amounts and recovery are in compliance with company tariffs as approved by the Commission. During 1988, the Staff completed twenty-one audits. Staff's investigations resulted in refunds to Arkansas customers in excess of $2.5 million. At year end 1988, four audits were in the final stages of completion and eight compliance audits were in progress.

D. Telecommunications Service Inspections and Investigations

Through periodic inspections of telecommunications utility facilities and operating procedures, the Staff ensures that ratepayers receive safe, adequate, and continuous service as required by Commission Rules. Consumer complaints regarding service quality are also followed by Staff investigations.

The Telecommunications Quality of Service Staff performed the following inspections and investigations during 1988:

Number of Periodic Inspections	9
Number of Complaint Investigations	34
TOTAL	43

At year end 1988, five complaint investigations were pending.

E. Gas Pipeline Safety Inspections and Investigations

Numerous inspections of intra-state natural gas operators and master-metered gas systems for safety, corrosion, and leakage control were performed by Staff o ensure compliance with the Arkansas Gas Pipeline Safety Code and the Special Rules - Gas. Also investigated were natural gas related accidents to ensure operator compliance with Commission standards. During 1988, the Gas Pipeline Safety Staff performed the following inspections and investigations:

Number of Operator Inspections	36
Number of Master Meter System Inspections	119
Number of Accident Investigations	4
TOTAL	159

SECTION 16. OTHER MAJOR COMMISSION ACTIVITIES

A. Special Projects

NATIONAL GOVERNORS' ASSOCIATION TASK FORCE ON ELECTRICITY TRANSMISSION

In 1986, the National Governors' Association recommended the development of a strong national electricity transmission policy. As a result, a Task Force was established. The Task Force sought to lay the foundation for understanding the nation's transmission system and to identify issues related to the system's development. The Arkansas Public Service Commission participated in discussions with the Task Force on the development of a coordinated transmission policy among the states. Such a policy is necessary to facilitate the economical interregional transfer of power.

NATIONAL GOVERNORS' ASSOCIATION DISCUSSION DRAFT NATIONAL ENERGY POLICY

The National Governors' Association proposes to develop a comprehensive, coherent, and productive national energy policy. The policy will recognize important relationships that exist between energy and the areas of national security, the environment, economic development, and other social issues. In addition, the policy will address the danger of excessive reliance on imported energy and the need to fully utilize the nation's domestic energy resources. The Governors have called for development of additional domestic energy supplies, energy conservation, and imported energy efficiency.

The Commission has provided the Governor with information and an analysis of the impact of the proposed policies on Arkansas' utilities and ratepayers.

PROPOSED REFORM OF THE PUBLIC UTILITY HOLDING COMPANY ACT (PUHCA)

The Commission has reviewed proposed revisions to the Public Utility Holding Company Act and submitted comments to the Electric Committee of the National Association of Regulatory Utility Commissioners (NARUC). The comments express concerns regarding amendments to the PUHCA that would impact Arkansas utilities and ratepayers. The comments were provided for consideration by NARUC in the development of a position on the desirability of amending the PUHCA.

REGULATORY FAIRNESS ACT

The Commission reviewed and provided information on the Regulatory Fairness Act to Arkansas' Congressional representatives. This Act provides for refunds to wholesale customers which are based on rate decreases under Section 206 of the Federal Power Act. The decreases are retroactive to the date a request is filed, instead of the date on which the Federal Energy Regulatory Commission issues a rate reduction order, as has been the case in the past.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)
FASB 92 AMENDMENT TO FASB 71

During 1988, the Staff conducted extensive research to determine the impact of the FASB 92 amendment to FASB 71 on the AP&L Settlement Agreement related to the cost recovery of Grand Gulf I allocated costs.

The Financial Accounting Standards Board (FASB), is designated by the Securities Exchange Commission (SEC) to establish standards of financial accounting and reporting. The Board issued a Statement of Financial Accounting Standard No. 92 which set forth criteria applicable to the accounting for the cost recovery of newly completed generation capacity. The essential feature of this new statement was the requirement that, for financial reporting purposes, all deferred costs incurred in connection with a new plant completed January 1, 1988, or in connection with a plant on which substantial physical construction was completed before January 1, 1988, must be recovered within 10 years of the date when defferals began. The ten year provision was of particular concern to the Arkansas Public Service Commission because of the potential impact upon the ability of AP&L to finance their deferred costs and comply with the provisions of the existing debt agreements.

AP&L initiated filings with both the Federal Energy Regulatory Commission (FERC) and the Securities and Exchange Commission (SEC) in an attempt to gain approval for the existing phase-in plan, which did not fully comply with the new ten year requirement of Statement 92. A favorable FERC response to the provisions of the existing phase-in plan was followed by an adverse interpretation by the SEC spokesman, resulting in an AP&L filing before the Arkansas Public Service Commission.

During 1988, various parties filed a joint motion requesting Commission approval of a proposed amended and substituted stipulation and settlement agreement covering the recovery of Grand Gulf I cost deferrals. On October 6, 1988, the revised settlement agreement was approved by Commission order - with Chairman Robert E. Johnston dissenting - initiating a revised cost recovery plan effective for service rendered on or after January 1, 1989.

The FASB 92 issue will be an ongoing Staff project in view of the conditions attached to the Commission approval and the existence of continuing controversy and discussion occuring in connection with FERC - SEC proceedings. Additionally, the National Association of Regulatory Utility Commissioners advocates Federal legislation to address the problem.

TASK FORCE ON UTILITY SPONSORED ENERGY CONSERVATION

As the result of an Arkansas Energy Alternatives Conference in 1988, a Task Force was established to develop utility sponsored energy conservation programs. The Office of Community Services, the Economic Opportunity Agency of Washington County, the Alliance to Save Energy, utilities, and the Staff of the Commission are participating in discussions to define the programs needed in Arkansas.

ACID RAIN

Staff performed extensive research regarding the technical and financial aspects of "Acid Rain" and their potential impact on the state's economy. Consideration was given to the effect that "Acid Rain" legislation would have on both the White Bluff and Independence Steam Electric Stations. Neither of these stations has the benefit of "scrubber" technology and could be subjected to costly compliance measures due to their SO2 and NOx emission levels.

Commission activity centered around analyses and responses to various "Acid Rain" bills introduced in the 100th Congress. Staff responses were provided to a study completed by the Florida Public Service Commission which estimated the cost of "Acid Rain" compliance to the state of Arkansas. Staff also provided answers to questions from Arkansas legislators regarding H.R. 5221 (Acid Rain Abatement Act of 1988) and the Compromise Acid Rain Proposal.

During 1988, a multi-state meeting was held in Birmingham, Alabama, on the potential effects of "Acid Rain" legislation and a symposium on "Acid Rain" was sponsored by the University of Arkansas at Little Rock featuring speakers from the University of Toronto, Canada and the U.S. Environmental Protection Agency. The Commission participated in both events and commented on various other questions and proposals regarding the "Acid Rain" issue.

The reduction of the production and effects of "Acid Rain" will continue to be the subject of legislation in Congress.

The "Greenhouse Effect" issue is similar. That issue is expected to be contentious in the next Congress. This Commission responded to several proposals during 1988 and will continue to do so in the future.

LINK UP AMERICA

Arkansas was asked by the FCC to participate in the Link Up America Program as one of four pilot states. The FCC will be monitoring the success of the programs. So far, the program has been extremely successful (i.e., for the six month period from November, 1987, to May, 1988, approximately 5,300 Arkansans qualified for Link Up assistance).

Docket No. 87-144-U was established before this Commission to implement the program. This docket has been closed but the Commission continues to administer the program on a daily basis. Further revisions to the program are expected.

ALTERNATIVE OPERATOR SERVICES

The NARUC Staff Subcommittee on Communications analyzed and suggested a response for state commissions regarding alternative operator services. These services have been characterized by problems such as high rates, deceptive practices, etc.

RULES REVISIONS

The last major revisions to the Commission Rules occurred from 1978 to 1985. The changes were made in a series of dockets which each addressed different issues. The approach involved a series of updates to the Rules and required a separate docket to collect and publish all of the changes.

During 1988, the Staff approached a demonstrated need for further changes in a more comprehensive manner than in the past. The Staff reviewed all General Service Rules and the Special Rules for each industry group to correct problems in organization, consistency, language, and guidelines. The result is a complete reorganization and many substantive revisions to those Rules.

The proposed revisions are undergoing management review. On management approval, comments will be invited and a formal proceeding initiated. The project is anticipated to require an allocation of resources through 1989.

SECTION 17. NATIONAL REGULATORY ORGANIZATION PARTICIPATION

A. National Association of Regulatory Utility Commissioners

The National Association of Regulatory Utility Commissioners (NARUC) is a quasi-govermental nonprofit corporation founded in 1889. NARUC membership is composed of the governmental agencies of the fifty states and the District of Columbia, Puerto Rico, the Virgin Islands, and 10 federal commissions. NARUC is engaged in the regulation of utilities and carriers with the objective of improving the quality and effectiveness of public regulation.

NARUC operates in committees and subcommittees that advance regulation through study and discussion concerning the operation and supervision of public utilities and carriers. Through the promotion of coordinated action by the commissions, NARUC serves to protect the public interest with respect to regulation.

In addition to numerous subcommittees composed primarily of staff members of the various state commissions, NARUC has an Executive Committee and standing committees on Administration, Communications, Electricity, Energy Conservation, Finance and Technology, Gas, Transportation, and Water. Appointments to both committees and subcommittees are made by the President of NARUC.

The Arkansas Public Service Commission is currently represented by the following committee and subcommittee assignments:

Robert E. Johnston	Executive Committee Committee on Gas
Patricia S. Qualls	Committee on Electricity
Julius D. Kearney	Committee on Finance & Technology
David Slaton	Subcommittee on Administrative Law Judges
Sarah M. Bradshaw	Subcommittee on Law
Jerrell C. Clark	Subcommittee on Executive Directors
Keith Berry	Subcommittee on Electricity
Mary Rusk	Subcommittee on Computers
Gail Jones	Subcommittee on Gas
Donna Gray	Subcommittee on Management Analysis
Russell D. Widmer	Subcommittee on Accounts
Walter Nixon	Subcommittee on Energy Conservation
Samuel Loudenslager	Subcommittee on Communications

B. National Regulatory Research Institute

The National Regulatory Research Institute (NRRI) is the academic and research arm of the National Association of Regulatory Utility Commissioners. The NRRI provides research, educational services, and technical assistance to the regulatory commissions.

Publications, a quarterly bulletin, and a computer model exchange service are provided through the Institute. With a staff of 32 and a budget of over $2 million annually, NRRI's publications have received national acclaim from the regulatory community.

Applied and basic research is performed on an agenda selected by the NRRI Board of Directors. The agenda is based on recommendations from NRRI's Research Advisory Committee (RAC). Once the agenda is approved by the Board, the NRRI executes the necessary research, which results in research reports of national and regulatory interest. RAC members later evaluate those reports to gauge their usefulness to the regulatory community.

The Arkansas Public Service Commission is currently represented by the following assignments:

Robert E. Johnston	Chairman of the Board - NRRI
Keith Berry	Deputy Chair - RAC

SECTION 18. PSC RECEIPTS AND DISBURSEMENTS FOR 1988

Receipts

Utility Assessments	$3,341,670.00
Pipeline Safety Assessments	51,631.00
Annual Filing Fees	275.00
Other Filing Fees	1,421.20
Miscellaneous Fees	12,249.23
Security Approval Fees	5,979.50
Federal Reimbursement	64,570.02
Non Revenue	162.59
Refund to Expenditure - Current Year	3,037.31
Total Receipts	$3,480,995.85
Less 1.5% Treasury Fees	(51,198.39)
Net Deposit	$3,429,797.46

Disbursements

Regular Salaries	2,715,996.07
Extra Help	1,177.15
Group Insurance	82,100.00
Retirement	81,802.90
Federal Ins. Contr.	200,570.33
Postage	10,772.41
Telephone	10,388.75
Freight	924.90
Composition Set Up Art Work	105.75
Bank Charges	57.05
Printing by Private Vendors	2,496.20
Printing by D O C	234.42
Printing by DFA Quick Copy	248.39
Advertising & Clipping Serv.	5,909.57
Film Processing	595.23
Building Maintenance	47.85
Furniture & Equip. Maint.	14,413.56
Vehicle Maintenance	8,262.67
Special Research Equip. Maint.	60.78
D P Maint.	76,432.05
Rent of Office Space	251,666.17
Rent of Furn. & Equip.	7,636.17
Rent of Copiers	20,178.31
Rent of Postage Meters	563.59
Rent of D P Equip.	26.25
Rent of Trans. Equip.	512.20
Rent of Trans. Equip. Char. 02	867.21
Rent of Trans Equip. Char. 09	131.96
Meals & Lod. O. B. Intra	16,313.53

Conf. & Conv. Meals & Lodg.	1,022.89
Meals & Lod. O. B. Inter	48,291.22
Meals & Lodging Educ.	12,138.01
Meals & Lodging Conf.	4,178.72
Mileage Off. Bus. Intra	160.02
Conf. Conv. Mileage	171.36
Mileage Off. Bus. Inter	597.00
Milage Educ. & Train.	258.00
Mileage Conf.	703.12
Com. Carr. Off. Bus. Intra	20.00
Com. Carr. Off. Bus. Inter	48,101.75
Common Carrier Educ.	15,611.55
Common Carrier Conf.	6,645.32
Intra Reim Meals & Lod	1,089.06
Inter Reim Meals & Lodg.	18,503.54
Interstate Mileage	531.06
Intrastate Off. Bus.	126.97
Intrastate Educ. & Train	15.05
Interstate Off. Bus.	945.37
Interstate Educ.	451.67
Intrastate Conf.	88.74
Adm. Fees & Services	6,000.00
D P by State Agency (not DCS)	78.75
Other Administrative Fees	726.00
Eng. & Architectural Fees	855.50
Legal Fees	197,998.23
Legal Fees Reimbursable Exp.	24,904.59
Other Legal Fees.	405.25
Educ. Corr. Rehab. Fees	70.00
Courier Services	3,735.19
Security Services	541.65
Vehicle Insurance	3,690.00
Building & Contents Ins.	3,544.00
D P Service Center Services	194.79
Centrex	71,429.20
Intrastate Off. Bus.	7.50
Intra State Educational	3,103.50
Intrastate Conf.	144.00
Interstate Off. Bus.	26,853.86
Interstate Educ.	26,995.00
Interstate Conf.	10,105.00
Association Dues	103.00
Contract Labor	5,797.13
Vehicle License	207.50
Tires & Tubes	99.60
Credit Card Purchases	4,150.95
Stationery & Office Supplies	30,578.00
Non Expendable Off. Supplies	346.82
Educational Textbooks	430.00
Educ. Tec. Cult. & Photo Sup	496.15
Educ. Supplies & Mat.	50.00
Witness Fees & Exp.	34.40
Photographic Supplies	2.50
Clothing & Other Materials	118.60
Subscriptions & Publications	40,380.51

Food Stuffs	50.00
Catering	231.00
Kitchen/Janitor Supplies	17.68
D P Supplies	5,895.75
Purchase of D P Software	42,996.27
Sales & Use Tax	556.74
Workers Comp. Tax	3,009.94
Total Operating Expenses	$4,187,076.39
Capital Expenditures	
Office Machines	4,805.00
Office Furnitures	5,953.75
Specialized Research Equip.	1,618.05
Data Processing Equip.	1,286.25
Total Capitol Exp.	$13,663.05
Total Disbursements	$4,200,739.44
Deposits Over Disbursements	(770,941.98)
Funding Balance as of December 31, 1988	$6,300,626.01

SECTION 19. BIOGRAPHICAL INFORMATION

PSC Commissioners

CHAIRMAN ROBERT JOHNSTON

I. BACKGROUND

A. EDUCATION:

Columbia University - Ph.D. (Government and Economic Stabilization)

Oxford University - (Rhodes Scholarship); B.A. (with high honors); M.A. (Economics, Politics, and Philosophy)

Rice University - B.A. (magna cum laude); B.S. (Mechanical Engineering)

B. PREVIOUS PROFESSIONAL EXPERIENCE:

Arkansas House of Representatives (1973 - 1981)

University of Arkansas at Little Rock (1970 - 1983) Director of the Master of Public Administration Program (1976 - 1978, 1982 - 1983), Chairman of the Department of Political Science & Criminal Justice (1978 - 1981)

Assistant Professor (Economics & Politics) - The U.S. Military Academy, West Point, New York (1966 - 1969)

II. PSC ACTIVITIES (Beyond Described Earlier in this Annual Report)

A. Chairman of the Arkansas Public Service Commission (1983 -) 6 year term. Appointed by the Governor and confirmed by the Arkansas Senate.

B. Board Member (1985 -) - National Regulatory Research Institute, The Ohio State University; Chairman of the Board (1986-1988).

C. Executive Committee - National Association of Regulatory Utility Commissioners (NARUC); (1986 -).

D. Chairman - Subcommittee on Personnel - National Association of Regulatory Utility Commissioners (NARUC);

(1988 -).

E. Natural Gas Committee - National Association of Regulatory Commissioners (1983 -).

COMMISSIONER PATRICIA QUALLS

I. BACKGROUND

1. Lake City, Arkansas
2. Arkansas State University - BME (1963), MSE (1966).

II. PSC APPOINTMENT

1. Appointed August 26, 1983.
2. Current term ends January 1991.

COMMISSIONER JULIUS KEARNEY

I. BACKGROUND

1. Gould, Arkansas
2. Harvard University - B.A. Economics (1974), Juris Doctor (1977)

II. PSC APPOINTMENT

1. Appointed February 2, 1987
2. Current term ends January 1993